EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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RUSHDIE AFFAIR
EC-Iran stand-off benefits the East
Page 20

World News

Ayatollah denounces Iranian liberals

Ayatollah Ruhollah Khomeini, Iran's spiritual leader, seized on the Rushdie affair to denounce liberals who have tried to soften the country's hardline Islamic image.

"As long as I am alive I will not let the Government fall to the liberals," he said in a speech which could have far-reaching effects on Iran's domestic and foreign policies. "I will cut off the influence of American and Soviet agents in all fields." Page 20

Bush in Far East
President George Bush began six-day Far East tour stating that the US was "as much a Pacific nation as it is an Atlantic one – and the Pacific region is of great and growing importance in international affairs."

Rocard reshuffle
Michel Rocard, French Prime Minister, reshuffled his Government following the appointment of Mr Maurice Faure, the public works and housing minister, to the Constitutional Council. Page 2

Prague reappraised
Moscow is considering a reappraisal of the Soviet-led occupation of Czechoslovakia in 1968 which put the present conservative leadership into power in Prague. Page 2

Camembert banned
Belgium temporarily banned sale of two French camembert cheeses after tests showed they contained the potentially lethal bacterium listeria.

Ziyang missing
Speculation about the standing of Zhao Ziyang, China's Communist Party general secretary, has been given further impetus by his disappearance from the programme of a Hong Kong conference. Page 4

Sudan ultimatum
Senior military officers in Sudan have issued an ultimatum to Mr Sadiq el Mahdi, Prime Minister, giving him one week to make progress in resolving the five-year civil war in the south. Page 4

Fresh Tokyo jolt
Japan's ruling Liberal Democratic Party received a fresh jolt when a prominent politician withdrew from an election for state governor because of his acceptance of contributions from the Recruit publishing group. Page 4

Algerian vote threat
Islamic fundamentalists are threatening to attack Algerians voting today on constitutional reforms allowing independent political associations, remove all reference to socialism and refer to "fundamental rights and freedoms." Page 4

Ortega pardon
President Daniel Ortega of Nicaragua is to pardon 1,700 prisoners jailed for crimes committed under the previous government of President Anastasio Somoza. Page 6

Seventeen drown
The 2,600 ton Panamanian-registered freighter Secil Angola sank in a storm in the Atlantic with 17 crew on board.

Soloman vote
Solomon Islanders voted in general elections expected to be won by the Alliance Party, which wants to oust Queen Elizabeth as head of state. Page 4

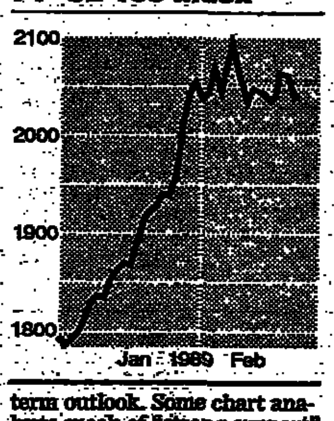
Business Summary

Third US bank goes to NatWest for $282m

NATIONAL Westminster Bank is adding to its banking network in the north eastern US with the $282m agreed acquisition of Ultra Bancorporation, holding company of the First National Bank of Central Jersey. The acquisition extends NatWest's strategy of gradual expansion through the north eastern United States. Ten years ago it bought a bank in New York state now called NatWest USA. Eighteen months ago it added a New Jersey bank, now called NatWest Bancorp NJ. Page 21

FT-SE 100 index at the close was down 27.3 points at 2,033.7. Analysts commented that the market is still only 3.4 per cent off its trading peak, and expressed doubts over the near term outlook. Some chart analysts speak of "strong support" around FT-SE 1,960, but fear a fall to about 1,920. Currencies, Page 40

FT-SE 100 Index



SWEDEN'S Options and Futures Exchange (SOFE), smaller of two options exchanges in Stockholm, surprised the financial community by suddenly announcing that it is to close due to lack of business. Page 21

SWITZERLAND'S central bank president, Mr Markus Lusser, called for a tough new law to crack down on money-laundering. Page 2

GIB, Belgium's largest supermarket group and the country's biggest employer, expects consolidated net profits for 1988 to rise by 15 to 20 per cent, on a 20 to 22 per cent increase in turnover. Page 22

EDGAR Bronfman Jr, aged 34, will become president and chief operating officer of the Canadian Seagram group, world's largest drinks company. Page 23

ASEA BROWN Boveri (ABB), Swedish-Swiss electrical engineering group, won two contracts worth $190m for a transmission system between New Zealand's North and South islands. Page 3

US TREASURY bonds slumped after the release of figures showing a 0.6 per cent jump in consumer prices in January, above market expectations and described by Mr Alan Greenspan, chairman of the US Federal Reserve, as "disturbing." Page 27

ALL NIPPON Airways (ANA), world's eighth largest airline, announced a $3.15bn purchase of 20 Boeing 747-400s, largest sale ever of that particular Boeing model. Page 3

UK GOVERNMENT won approval from the European Commission to pay British Coal £109.5m ($190.8m) to cover its operating losses for 1987-1988. Page 6

HONG KONG and China Gas, Hong Kong utility company locally known as Towngas, reported a 32 per cent rise in 1988 net profits, which increased to HK$424m ($54.3m), compared with HK$321m in 1987. Page 24

UK CONSUMERS would have to meet a bill of nearly £3bn if the privatised water industry was to comply by 1995 with EC standards. Page 8

Swiss central bank chief seeks laws to relax secrecy

By William Dullforce in Geneva

LAWS to relax Swiss bank secrecy and make the laundering of "dirty money" a crime were urged yesterday by Dr Markus Lusser, president of the Swiss National Bank, the country's central bank.

He also called for greater disclosure by Swiss banks, including the publication of consolidated accounts.

His call follows the resignation last month of Mrs Elisabeth Kopp, Justice Minister, in connection with the so-called "Lebanon connection" case in which money from drugs trafficking is alleged to have been laundered through Swiss banks.

The lack of detailed disclosure by the banks was highlighted this week when it was revealed that all three big Swiss banks had suffered losses in their London subsidiaries in 1987. Little or no indication of these appeared in their annual reports.

Money laundering is not a crime under the Swiss penal code; the only relaxation of the banks' secrecy obligations is a gentlemen's agreement operated by the banks themselves under which they undertake to identify the owners of funds placed with them.

Partly as a result of US pressure, the Justice Ministry has been preparing a bill against money laundering for presentation to the federal Parliament this spring.

The banks have not opposed legislation but have been insisting that it should not give them a policing role.

Writing in Weltwoche, a Zurich weekly, Dr Lusser described Swiss financial markets as vital for the future growth of the Swiss economy.

While it would be wrong to restrict capital flows, everything should be done to prevent their being utilised by organised crime, he said.

"We have known for years that. . . the drug Mafia abuses our financial market to slip their wages of sin into the normal economy."

He denied that making money laundering a crime and obliging banks to identify their clients would turn the banks into policemen.

Rather this would sharpen bankers' consciences and improve their diligence.

It would not be enough to make deliberate involvement in money laundering punishable, Dr Lusser wrote. Assistance through negligence also had to be tackled.

The banks had to identify each of their clients and to refuse to accept money from anonymous sources. The banks' gentlemen's agreement should be embodied in law.

Increases in US prices and earnings heighten fears over inflation

By Anthony Harris in Washington

US CONSUMER prices and real earnings increased sharply last month. The figures prompted steep falls on markets – the Dow Jones Industrial Average dropped by 42.32 to close at 2,284.11 – and were described as disturbing by Mr Alan Greenspan, chairman of the Federal Reserve.

The 0.6 per cent rise in the consumer price index, the most widely used measure of inflation in the US, is the largest monthly jump in two years and sharply above the recent trend.

Last month's rise in prices, announced yesterday by the Labor Department, brings the annual consumer price inflation rate to 4.5 per cent, marginally up from the long-standing 4.4 per cent average. At the same time the department said real earnings also increased by 0.6 per cent last month.

Mr Robert Hellor, another Fed governor, said the recent trend was disconcerting and added: "We are beginning to get a stronger inflationary tone."

A minority of the Fed governors, however, whose most vocal spokesman is Mr Wayne Angell, continue to argue that the tightening of policy last year has already checked the rise in gold and commodity prices, and will reduce general inflation this year.

Mr Michael Boskin, President George Bush's chief economic adviser, who has argued that there is not yet any clear rise in the underlying inflation trend, conceded: "The US is now at a point in the expansion where an acceleration of inflation is a greater risk than it was earlier."

The acceleration in the consumer price index was taken by some private analysts as evidence that the Fed's "central tendency" projection of inflation at 4.5 per cent to 5 per cent is optimistic.

It was, however, almost entirely due to the exceptional food, energy and tobacco price increases already shown in the 1 per cent rise in the producer price index, together with a 1 per cent increase in the costs of services other than housing and transport.

The rise in earnings, on the other hand, reflected not only a faster rise in hourly wages but a pick-up in average weekly hours, which have been very stable.

Continued on Page 20

Alan Greenspan: disturbed

Steep drop in sterling surprises economists

By Simon Holberton, Economics Staff, in London

STERLING ended lower in nervous trading yesterday after renewed selling pushed the currency towards levels last seen in November when the British Government raised bank base rates to 13 per cent to defend it.

Over the past two days the currency has fallen by nearly 1¼ per cent on the basis of its index against a basket of currencies. The fall has brought to nearly 1¾ per cent its drop since the beginning of the year.

City of London economists have been surprised by the steep two-day drop in sterling and said that any persistent weakness could pose a major problem for Mr Nigel Lawson, the Chancellor of the Exchequer, who is entering the final phase of preparation for his Budget.

There is evidence that growth in demand in the economy is slowing, in response to his policy of high interest rates and any further rise in interest rates would run the risk of slowing the economy too much.

But allowing the pound to fall would risk exacerbating inflationary UK pressures, they said.

The markets expect the Bank of England to intervene to support sterling should it fall much further. With the UK's foreign reserves currently at a record $51.7bn, the Bank has room to move.

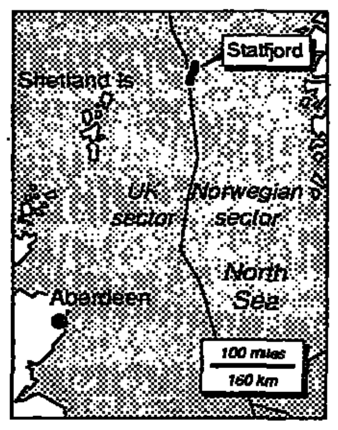
Analysts noted that there had been no new information on the state of the economy recently to change people's perception of the UK.

In London, the pound closed down 1 pfennig at DM3.2150 but was largely unchanged against the dollar at $1.7515. It closed in New York at $1.7480.

Currencies, Page 40

Norwegian, UK groups contest oilfield share

By Steven Butler in London and Karen Fossli in Norway



A DISAGREEMENT between licence holders in the North Sea's biggest oil field has raised the prospect of a transfer of billions of dollars between the field's UK and Norwegian partners.

After a four-year study of data on the Statfjord field, which straddles the median line between Norway and the UK, Statoil, the Norwegian state oil company which operates the field, is proposing that the UK interest should fall from 15.9 to 11.9 per cent.

The UK interest holders, Conoco, Chevron, and BP, however, plan to claim that the UK share should rise to 20 per cent. The three hold equal shares of the UK licence, with Conoco as nominal operator. Conoco also holds an additional 8.41 per cent interest in the field through its Norwegian subsidiary, giving it a total stake of 13.71 per cent.

Failure to reach agreement by March 10, would lead to the dispute being submitted to a technical expert for what amounts to binding arbitration. The shares are decided according to geological data showing how much of the field's oil lies on the UK versus the Norwegian side.

The stakes are huge. Within 10 days of a redetermination of shares, the winning side would have to reimburse partners proportionately for already paid capital costs, which Statoil said yesterday total NKr50bn ($7.48bn) at current prices. This would equate to NKr2bn in the event of a 4 percentage point shift which is being sought by both sides.

The determination would be retroactive to the beginning of work on the field. Oil already produced from the field, which amounts to about a third of the field's total reserves of 3.3bn barrels, would also have to be reimbursed within two years.

The Statoil claim is understood to amount to about three years' of oil liftings for the UK partners and would cost the UK Government about £1bn of revenues. Statfjord is producing about 730,000 barrels a day of crude oil, the highest output of any North Sea field.

The redetermination review of the field was begun in 1985 at the prompting of the UK partners. They believed their share should be raised.

Redetermination, which occurs periodically during the life of the field, was supposed to have been completed two years ago, but completion was delayed as continued drilling produced new data on the field.

According to the agreement among the partners, however, settlement must be reached by March 10, or it will go to arbitration. A further redetermination is set to start in May, with a final redetermination planned after development drilling on the field is completed.

Statoil has 42.05 per cent of the field. Other big stakeholders include Mobil, with 12.61 per cent, Exxon with 8.41 per cent, and Shell with 8.41

Non-Opec producers, Page 32

Paris and Bonn pledge unity

By George Graham in Paris

THE French and West German Governments yesterday joined forces to state their determination to fight inflation.

At a meeting of the Franco-German economic and monetary council in Paris yesterday the two sides, which have not always been in agreement in recent months over the West German Bundesbank's insistence on raising interest rates to head off inflationary pressures, warned against the rise in prices in the UK and the US, saying that if economic growth were to be durable, it must be based on disinflation.

Mr Gerhard Stoltenberg, the West German Finance Minister, said the two countries had last year narrowed the difference between their respective inflation and interest rates, while maintaining similar growth rates. In 1989, with the French economy expected to grow by about 3 per cent compared with 2.5 per cent for West Germany, economic policy convergence must be strengthened with other indus-

Continued on Page 20

Shevardnadze urges Israel to soften line on Mideast talks

By Tony Walker in Cairo

THE Soviet Union yesterday urged Israel to soften its hardline objections to an international peace conference on the Middle East, but made clear its desire to preserve and broaden its dialogue with the Israelis.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, in a lengthy meeting in Cairo with Mr Moshe Arens, his Israeli counterpart – the first detailed discussions between the two men – sought Israel's co-operation in efforts to break the stalemate in Middle East peace efforts.

Although the Soviets and the Israelis differ sharply on ways to proceed towards a peace settlement, Mr Shevardnadze clearly wished to avoid exposing stark disagreements at this early stage in efforts to bring to the negotiating table all the parties to the dispute, including the PLO.

Mr Arens said he had responded to Mr Shevardnadze's suggestion that Israel join an international peace initiative by explaining that the Israeli Government favoured direct talks with its neighbours instead. However, Mr Arens reiterated his country's refusal to deal with the PLO.

Mr Shevardnadze said later it would be "naïve" to expect all differences to have been resolved, but he added that there had been an "open, frank and honest dialogue."

The relatively constructive tone of the meeting appears to reflect a Soviet desire to persuade the Israelis that its bold intervention in regional affairs should not be regarded as a threat to Israel's interests. It is also a sign of serious Soviet interest in resuming a central role in Middle East diplomacy.

Under Mr Gorbachev, the Soviet Union has been moving steadily towards a resumption of relations with Israel after a gap of 20 years. Moscow broke ties after the 1967 war.

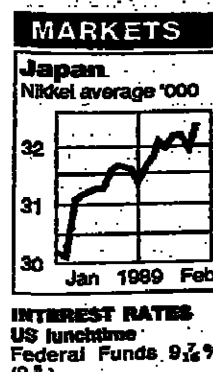
Mr Arens said it "would be easier for the Soviet Union to play the role it wants to play in the Middle East" if relations were restored, but he added that Israel would not agree to preconditions. This was a reference to the Soviet offer to re-establish formal links provided Israel agreed to an international conference.

Mr Shevardnadze, who unveiled a three-point peace initiative in Damascus on his arrival in the region at the weekend, has said repeatedly that progress hinges on Israeli co-operation. "Without goodwill on the part of Israel, there can be no solution to the conflict and that is one aspect of the real situation," he said after meeting Mr Arens.

The Soviet initiative envisages the convening within nine months of an international conference, attended by the five permanent members of the Security Council, and all parties to the dispute, including the PLO.

MARKETS

Japan
Nikkei average '000



INTEREST RATES
US lunchtime
Federal Funds 9 7/16 % (9 5/16)
3-mth Treasury Bills: yield: 8.83% (8.754)
Long Bond: 97 11/32 (98 1/8)
yield: 9.13% (9.051)
London
3-month interbank close 13 1/16 % (13)

STERLING
New York closing
$1.7480 (1.7490)
London:
$1.7515 (1.7505)
DM3.2150 (3.2250)
FFr10.9550 (10.9850)
SFr2.7450 (same)
Y221.75 (same)

DOLLAR
New York closing
DM1.8345 (1.84155)
FFr6.2555 (6.2750)
SFr1.5650 (1.5680)
Y126.40 (127.105)
London:
DM1.8355 (1.8420)
FFr6.2550 (6.2750)
SFr1.5665 (1.5685)
Y126.55 (126.75)

GOLD
New York latest
Comex April $390.3 (389.4)

STOCK INDICES
New York closing
Dow Jones Ind. Av. 2,284.11 (-42.32)
S&P Comp 290.92 (-5.06)
London:
FT-SE 100 2,033.7 (-27.3)
World: 145.53 (Tues)
Tokyo
Nikkei Ave 32,311.93 (+331.85)
Frankfurt
Commerzbank 1,632.1 (-18.6)

OIL
Brent 15-day (Argus) $16.675 (-0.15) (March)
West Tex Crude $16.695 (-0.18) (April)

CONTENTS

Jamaica's poor thrust their hopes on Manley

The recent general election in Jamaica which brought Mr Michael Manley back to power was less a rejection of former Prime Minister Edward Seaga's achievements than a statement that poor Jamaicans saw none of the benefits Page 6

Commission couples optimism on Community economy with warning on imbalances

EC 'set for two years of strong growth'

By David Buchan in Brussels

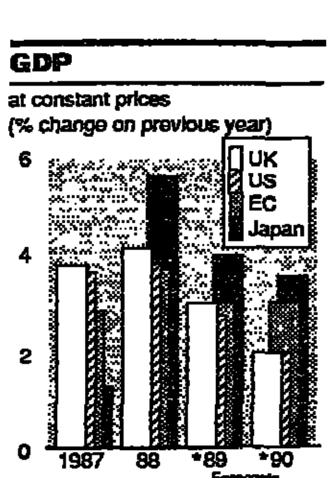
The European Community is heading for at least two more years of buoyant investment-led, job-creating growth, but dangerous gaps are opening up between the economic performances of some member states.

This is the main message of yesterday's update by the European Commission of its October 1988 annual report. Making its first forecasts for next year, the Commission predicts that the Community's gross domestic product will show a 3 per cent real increase both this year and in 1990, falling off only slightly from the very strong 3.7 per cent increase in 1988.

But Mr Henning Christophersen, the EC Commissioner for macro-economic affairs, warned that trade imbalances, budget deficits, and widening inflation differentials between some of the 12 could yet undermine progress in creating a single Community market by the early 1990s. Yet the report implies that even the degree of existing integration has now made the Community, accounting for a quarter of world GDP, more vulnerable to internal than external imbalances.

Mr Christophersen singled out the UK's trade deficit for particular criticism, in contrast to Spain and Portugal whose deficits did not concern Brussels "as long as we see them as being part of a healthy investment-driven process". By contrast, the UK trade deficit, which the Commission believes will rise from 3.2 per cent of GDP last year to 3.4 per cent in 1989, is the result of "an unsatisfactory savings rate and consumption that is too high", the Commissioner warned.

The remedy, the report says, lies "above all in an increase in national savings since a reduction of the investment propensity would be unwelcome".



Published just before next month's UK budget, it calls for "appropriate budget policy measures and a more moderate development of wage costs".

However, the Commission is equally cautionary about the opposite phenomenon of West Germany's growing trade surplus, forecast to increase from 4.1 per cent of GDP last year to 4.3 per cent in 1989-90. "The Commission does not think further increases are sustainable," Mr Christophersen said, adding that the emerging single market imposed "an obligation on countries to contribute to a more balanced situation".

So far capital outflows from West Germany had prevented strains in the European Monetary System (EMS). But the report talks of "an underlying fragility" to this monetary calm. It also notes the tendency of German manufacturing to become more and more export oriented, and says that this is restraining growth in services and in jobs overall.

Other cautionary notes are directed towards budget-deficit countries like Greece, Italy and Belgium and to the splitting of the 12 into three distinct groups as regards anti-inflation performance. "It takes a long time to dampen inflationary expectations – they can be quickly rekindled".

It puts the UK in the middle camp of countries with inflation rates of around 5 per cent a year, but Mr Christophersen acknowledged that recent UK government estimates made this too optimistic.

On growth in the EC the report says this "is now more employment-creating than ever". It forecasts that, in contrast to the loss of 2.4m jobs in 1981-85, 6m jobs will have been created in 1986-90.

But only 1.25m of these new jobs will help reduce unemployment, leaving the Community jobless rate still at around 10.5 per cent in 1990, compared to the 1986 peak of 11.7 per cent.

The rest of these new jobs, 4.75m, will be absorbed by an rise in the labour force and an increase in the numbers, especially of women, seeking work.

Swedish energy costs to rise

By Robert Taylor in Stockholm

SWEDEN faces the prospect of a doubling in the cost of its energy production as a result of the planned phasing-out of its nuclear power programme from 1995, according to Vattenfall, the country's state power authority.

The company announced yesterday that it intended to spend SKr13bn ($2bn) in alternative oil supplies to make up for the shortfall in its energy that will follow the phasing-out of Sweden's first two nuclear power stations in 1995 and 1996. The remaining 10 are due to be shut down by 2010.

A Vattenfall senior executive warned yesterday that energy prices both for Swedish industry and the consumer will need to go by 40 per cent by the mid-1990s, due to the contraction of nuclear power that accounts currently for around half of the country's energy supply.

He added that the effect of increasing energy costs would be felt across a wide range of services, including food production, and would hit the forestry, metals and mining industries particularly hard.

Sweden is planning to buy natural gas as a replacement in the power stations for nuclear energy. At present, negotiations are under way between Vattenfall, the Finnish state-owned oil company Neste Oy, and Norway's Statoil, as well as the Soviet Union.

Pressure from the environmentalists in Sweden, particularly after the Chernobyl nuclear disaster in the Soviet Union three years ago, compelled the ruling Social Democrats to announce that they intended to close its nuclear energy industry by stages from the middle of the 1990s.

Low wage rises agreed by unions in Denmark

DENMARK'S TRADE unions, faced with the prospect of rising unemployment, are agreeing to a lower rates of wage increases in 1989-90 than at any time in the past 30 years, writes Hilary Barnes in Copenhagen. Although the spring round of bargaining for two-year collective wage agreements is not yet over, deals for office workers at the weekend and the metalworkers late on Tuesday, which are expected to set the pattern for the rest of the labour market, provide increases in basic rates of about 1 per cent.

Rocard reshuffles French cabinet

Mr Michel Rocard, the French Prime Minister, yesterday reshuffled his government following the appointment of Mr Maurice Faure, the Public Works and Housing Minister, to the Constitutional Council, the country's supreme court for administrative and constitutional matters, writes Paul Betts in Paris.

Mr Michel Delbarre, the Transport Minister, will now also take over Mr Faure's responsibilities. There is speculation that there could be a wider reshuffle in the government after next month's municipal elections.

Soviet air traffic control protest

Moscow air traffic controllers are refusing to collect their wages in a protest over pay, working conditions and the lack of modern equipment, the weekly Literaturnaya Gazeta said yesterday, Reuter reports from Moscow. It reported that about 350 controllers at three airports were taking part in the protest and a further 300 who originally joined in had given up because of financial difficulties. The action had been going on for more than two months although flights had been unaffected.

German forces seen as 'old fashioned'

Almost half of West Germans reject their armed forces as an outdated institution, the weekly magazine Quick said yesterday, Reuter reports. It said 44 per cent in a representative survey felt the West German armed forces were "old-fashioned." The survey bolstered other polls showing many West Germans no longer see the East bloc as a threat.

Appeals in Italy's biggest Mafia trial

An appeal hearing began yesterday against the verdicts in Italy's biggest Mafia trial, which sentenced 338 gangsters to 19 life terms and more than 2,700 years in jail, Reuter reports from Palermo. Appeals are being made by both prosecution and defence against the verdicts, including acquittals, on 424 of the original 474 defendants. Only about 100 of those sentenced are in jail. The rest are on the run or have been released pending the appeal.

Amnesty criticises Bulgaria crackdown

The Bulgarian authorities have come under sharp criticism from Amnesty International for failing to halt a crackdown on dissidents and refusing to provide information about imprisoned ethnic Turks, writes Judy Dempsey in Vienna.

The 14-page report published this week claims that the Bulgarian authorities have been torturing ethnic Turks and preventing independent human rights groups from operating freely throughout the country.

For their part, Bulgarian officials have consistently denied the existence of any Turkish minority on the grounds that any "Bulgarians" with so-called Turkish names were forced to adopt them during the Ottoman occupation.

Nevertheless, Amnesty estimates that more than 150 Turks are in prison.

The report also cites cases where members of human rights groups, such as the Independent Association of Human Rights, have been detained.

Czech police hold another dissident

By Leslie Colitt in Prague

CZECHOSLOVAK police yesterday arrested a spokesman for the Charter 77 human rights group, Mr Tomas Hradilek, accusing him of incitement to rebellion and harming the country's interests abroad. He faces a maximum five years in prison.

Mr Hradilek wrote a protest letter to Mr Milos Jakes, the Communist party leader, after the police suppression of a demonstration last month in Prague. The letter was broadcast to Czechoslovakia by Western radio stations.

Until Mr Hradilek's arrest he was the only one of Charter 77's three spokesmen not facing criminal charges. One, Mr Alexander Vondra, was charged with "hooliganism", along with seven other opposition members whose trial was expected to end later yesterday.

The youngest to stand trial in Prague, 18-year-old Mr Stanislav Penc, was arrested for placing a bunch of flowers last January 16 on the statue to St Wenceslas in Prague to commemorate the suicide death of the student Jan Palach who set himself afire 20 years earlier.

He said that three "witnesses" who had testified yesterday were security policemen.

The authorities yesterday continued their policy of alternating harsh repression against some opposition activists with relaxation toward others, with officials of Prague's second district being informed that the Independent Peace Association that it could hold a meeting next Saturday in a public hall.

Mediobanca chiefs face charges

By Alan Friedman in Milan

THE MILAN public prosecutor is seeking the criminal indictment, on charges of falsifying balance sheets, of the chairman and other top executives of Mediobanca, the powerful and secretive Milan merchant bank.

The prosecutor's request, which will now be decided upon by an investigating magistrate, calls for the indictment of nine Mediobanca officials including Mr Francesco Cingano, chairman of Mediobanca; Mr Vincenzo Maranghi, the bank's managing director; and Mr Enrico Cuccia, the 80-year-old honorary chairman of Mediobanca.

The indictments have been sought because the public prosecutor believes that evidence gathered over the past year shows that between 1976 and 1980 Mediobanca operated a L20bn ($14.8m) slush fund which was used to favour some of the bank's clients with subsidised interest rates and to pay special incentives to Mediobanca executives.

The charge of falsifying balance sheets relates to the allegation that the slush fund did not appear in Mediobanca's annual report and accounts.

The slush fund is said to have been discovered by the *Guardia di Finanza*, Italy's fiscal police. Mr Cingano and some of the others whose indictments are being sought occupied different positions between 1976 and 1980, but as they were members of Mediobanca's executive committee they may be held responsible.

For Mr Cuccia, this is not the first time possible charges are looming. Mr Cuccia was investigated in 1985 for his alleged involvement in a 1970s embezzlement scheme that concerned the IRI state group, but he was never prosecuted.

Belgian communes act to save endangered Romanian villages

By David Buchan in Brussels

MOUNTING West European concern over human rights violations in Romania has this week taken the form of special hearings in the European Parliament and moves by Belgian communes to "adopt" endangered Romanian villages.

Some 80 Belgian communes have so far unilaterally adopted the same number of Romanian villages threatened by bulldozers in President Ceausescu's programme to re-group some 8,000 of his country's 13,000 villages into new regional centres.

Belgian organisers of this campaign hope it will spread to other West European communes and villages adopting their Romanian counterparts.

Following a special conference on Tuesday, the European Parliament, for its part, looks likely to issue another condemnation of the Ceausescu Government's behaviour at its March plenary session, where some pressure for economic sanctions may also emerge.

The only plausible form this could take would be denunciation of the EC's 1980 trade and co-operation agreement with Bucharest. So far, and in sharp contrast with fast-moving trade diplomacy with the rest of Eastern Europe, the Commission has refused to act on Romania's request for an upgrading of this agreement.

De Mita demands support for reform of public finances

By John Wyles in Rome

MR CIRIACO DE MITA, the *outgoing leader of Italy's Christian Democrats* who remains Prime Minister, yesterday wound up the party's congress with a clear warning that he will resign as head of Government unless he is given strong enough backing to reform the country's public finances.

Though the Prime Minister's 75-minute speech won a 30-minute ovation, there was no disguising the fact that the congress has been a personal defeat for Mr De Mita and the faction that he leads.

Mr Arnaldo Forlani, the successor he seemed to want least, was formally elected party secretary last night; and the four-day congress has been peppered with speeches so critical of his seven years as party secretary that he was forced yesterday to counter charges that he had exercised a "tyranny."

As a whole, the party has appeared totally absorbed by its past and present and preoccupied very largely by the question of how it can remain in the driving seat of post-war Italian democracy.

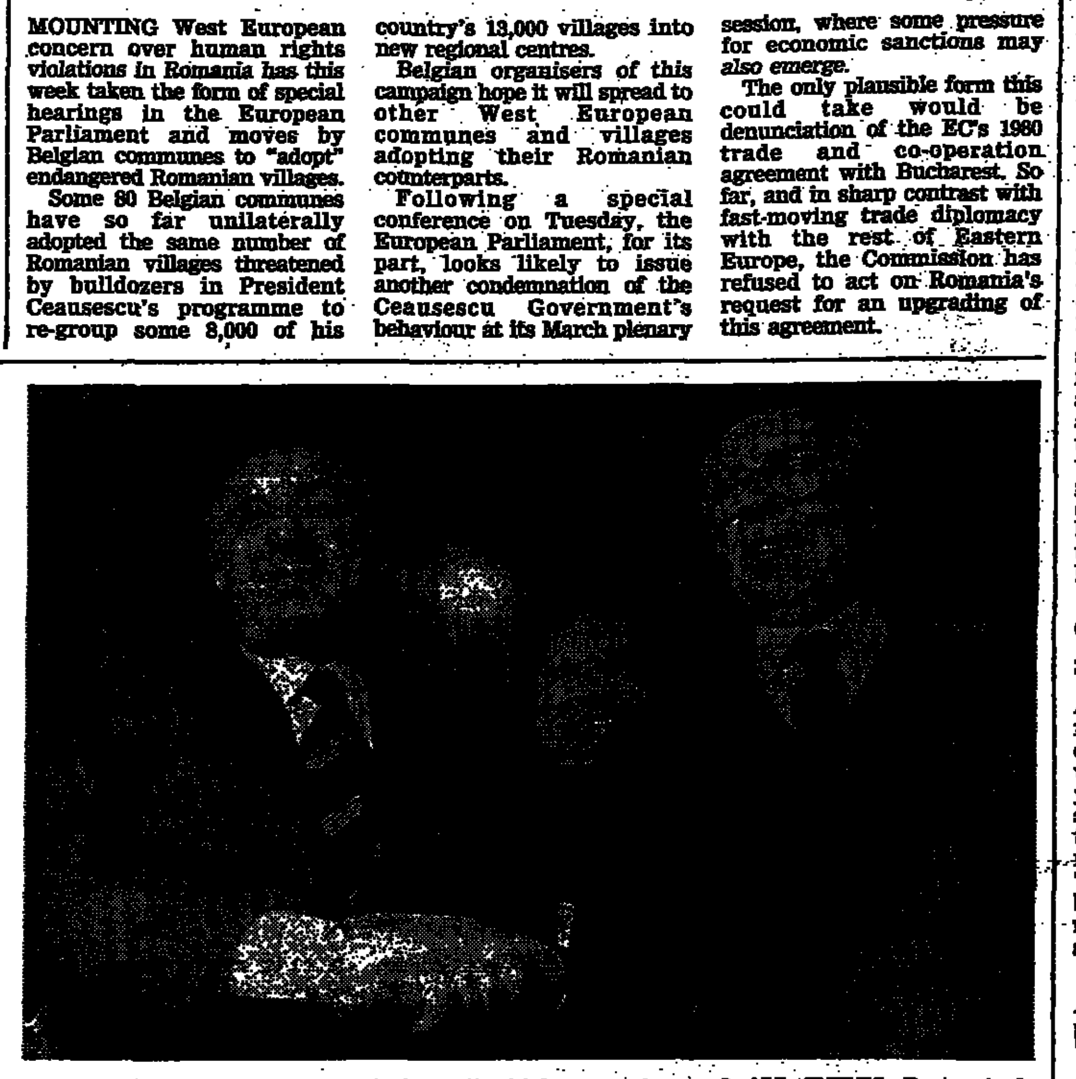
Despite extravagant claims of unity, clear anti-southerner prejudices have emerged (Mr De Mita is a southerner) and differences over whether it is a lay party "of Christian inspiration" or a Catholic party.

Policies have been referred to only in passing, while the general tone has been populist, vaguely anti-business and resolutely determined to avoid being pushed into a "conservative" box by any hypothetical realignment on the left between the Socialists and the Communists.

The habitual relish which the DC derives from distributing public money to its own political advantage is making it very difficult for Mr De Mita to mobilise the party behind his coalition's top priority – curbing budget deficits and the public debt.

The "unity" resolution due to be passed last night commits the DC to support the Government's budget reform policy for acting on both revenues and expenditure. But this does not guarantee Mr De Mita either the support of his DC colleagues in massive spending departments such as health, nor the approval of its parliamentarians for government legislation.

"If the conditions exist for going ahead with curing the country's problems, Mr De Mita has the duty to stay at his post; if these conditions are not there then De Mita will say that there are not the conditions to govern," he said.



* An early test will be discussion in cabinet, possibly next week, of spending cuts proposed by the Prime Minister's staff which range from raising the retirement ages to major economies in the health service.

● ALL SMILES: Party rivals Ciriaco De Mita and Arnaldo Forlani shake hands at the Christian Democrat congress.

Sweden warned of problems posed by 1992

By Guy de Jonquières, International Business Editor

SWEDEN WILL face serious difficulties in safeguarding its economic and trade links with the European Community after 1992 unless it moves closer to full EC membership, says a report from Britain's Royal Institute for International Affairs.

The report, by two Swedish academics, stops short of advocating full membership. It acknowledges that neither Sweden nor the EC yet seems ready to tackle the challenges such a step would raise, and that for the moment both sides seem most comfortable advancing along parallel tracks.

However, it describes as unrealistic the Swedish Government's policy of seeking a "middle way", which would shelter the country from the threat of economic discrimination by the EC without requiring it to integrate itself tightly with EC decision-making.

Sweden faces an "overwhelmingly complex" agenda, says the report, in trying to ensure that its national legislation develops in parallel with the EC's internal market directives, all the more so since the process must also fit into existing co-operation with Sweden's Nordic neighbours.

The report sees a particularly large problem looming over external trade policy. It argues that Sweden's attitudes may not necessarily coincide with those of the EC, particularly if the latter takes an increasingly hard line towards non-European trade partners.

Even if Sweden committed itself by treaty to implement EC external trade policy, that would be unlikely to satisfy the Community, which might fear that a future Swedish Government would not abide by such an agreement.

"Only if Sweden allows itself to participate as a Community member in the formulation and adoption of decisions will the Community be sure that a Swedish Government will always be able to defend and implement decisions at home which have been taken in Brussels.

"Only through a strong institutional link between Sweden and the Community could the Community for its part accept an abolition of its border controls against Sweden," the report says. That would mean Sweden's closer involvement with EC decision-making in all areas except foreign policy.

However, the report concludes: "Irrespective of how far Sweden could stretch its position, it might not be enough for the EC. For the time being, EC members also seem to perceive the problem in this way."

A Swedish View of 1992, Carl Hamilton and Carl-Einar Stalvant, £3, Royal Institute of International Affairs, Chatham House, St James's Square, London SW1Y 4LE. 01-930 2233.

W German divide set to widen

By David Goodhart in West Berlin

THE NORTH-SOUTH divide in West Germany is likely to be exacerbated by the European Community's open market after 1992, despite the fact that an extra 200,000 to 600,000 German jobs should be created, according to a report published by the Empirica Group.

It says the assumptions of the European Commission's Cecchini Report (which projects a 4.5 per cent rise in gross national product as a result of the single market plan) are too optimistic, and that without proper management the open market will widen both national and regional imbalances.

Northern German states, like North Rhine Westphalia, had been expected to benefit more from 1992 than the faster growing southern states, like Bavaria, which has no borders with the other EC countries. *But Empirica concludes* that, at least on a low-growth, slow integration, assumption, the south will continue to outstrip the north because of its better trained workers and more sophisticated technology.

North Rhine Westphalia is the centre of the West German investment goods industry and, thanks to the recent European investment boom, actually enjoyed growth above the *national* average last year. But the report warns that such growth will be difficult to sustain in view of the south's technological edge.

Intelligent regional intervention could prevent the exacerbation of the north-south divide but that should not take the form of traditional subsidies, the report's authors suggest. This is both because they have proved ineffective in promoting sustained growth and because the Commission is, in any case, trying to reduce regional aid in the country.

One EC-wide problem pinpointed by the report is that faster growth inspired by 1992 is likely to create an even bigger current account surplus in West Germany which will require either a higher D-Mark or slower growth in the importing countries.

Nato hawks forget it is politics which bind the alliance

East and West are on the threshold of a broad detente of which arms control is a partial reflection

IAN DAVIDSON
ON EUROPE

A GROUP of American defence experts has urged the US Administration to exercise restraint in the debate over the modernisation of nuclear weapons in West Germany. This is a sensible proposal: the issue is shaping up as a battle of wills between Washington and Bonn, and promises to be bruising as well as counter-productive.

Unfortunately, a second more difficult step is necessary, to recognise *that Bonn and Washington are now* addressing two subtly different agendas, and that there is no way the Germans are going to prefer the American one.

Two factors point towards this conclusion. The first derives from the 1987 US-Soviet INF agreement to remove all medium-range land-based nuclear missiles from Europe. The second is Mikhail Gorbachev's perestroika, which necessarily alters the *balance between defence and diplomacy* in Europe's security considerations. At the time, some Western leaders worried that the INF agreement might undermine Western deterrent strategy. Only now are we beginning to feel the real costs of the agreement. Naturally, these real costs are different from our fears, and may be more serious.

Opponents of the so-called "zero option" argued that the removal of these Euro-missiles might de-couple Europe from the US deterrent, and would remove a significant nuclear *threat to Soviet territory. The real* problem is that the agreement, and the emotional agony Europe went through to get it, have put a nasty crimp on Nato's general ability to handle its nuclear dilemmas.

This is illustrated by the latest twist in the face-off between Germany and the US, over the modernisation of Nato's 88 short-range Lance missiles. These missiles will be obsolete in the mid-1990s; but the Americans *(and the British) want some* kind of Nato commitment now, so as to persuade Congress to vote the development costs of a new system.

Unfortunately, the Germans have been here before, and they do not relish a re-run. Mr Gorbachev eventually clinched the zero option; but before he did so, the Germans had to screw themselves up to deploy the new cruise and Pershing II missiles, and the four-year political struggle destroyed their left-right consensus on Nato's nuclear strategy. Compared with this major gift to Moscow, the theoretical argument over extended deterrence is a mere will-o'-the-wisp.

Mr Hans-Dietrich Genscher, the FDP Foreign Minister, has made no *secret of his desire to postpone any* decision on a Lance follow-up; now he has been joined by Chancellor Helmut Kohl, emerging from his former posture of ambiguity, to declare that no decision needs to be taken for two or even three years.

The Americans claim to be optimistic that a compromise agreement can still be reached. Despite Mr Kohl's declaration, there remains a heavy fog factor in the German posi*tion, and in theory it is not too diffi*cult to imagine a form of words in a Nato communique which ought to satisfy Congress without committing the German Government.

Yet Bonn's reservations about a new nuclear missile are now a public fact, and it is hard to imagine external conditions which would make them change their mind. They may be pressured into a face-saving formula in time for this year's Nato summit, but it is difficult to believe that West Germany will in practice go through the process of deploying any major new nuclear missile system, in the terms in which that proposition is currently being presented.

Ostensible German objections are deceptive. They dislike the idea of a short-range missile, which can only be deployed on German territory, and can only increase the risk to Germans (East or West); and in any case this is not the right time to take such a decision, when the priority is detente and arms control.

The first of these problems may be more soluble than the second. If we are talking about land-based missiles, they *must* be short-range, because the longer-range missiles are banned by the INF treaty; if Nato wants to answer German short-range fears, it can only do so with medium-range missiles which are *not* land-based.

Such an answer could well be available, in the stand-off air-launched missile being developed by the US, which could be carried by Nato aircraft based in Germany, or even based outside. So why not rephrase the modernisation plan, as a mixture of some land-based missiles and some air-launched? Last week Mr Alfred Dregger, CDU parliamentary leader, made clear to me that he could accept something of this sort.

The second German objection, that this is not the moment, is much more difficult. There is no reason why the present period of detente and arms control should end in 1991, or indeed any time to suit the obsolescence of the Lance missiles. Nato may compromise on a face-saving formula now; but unless the Cold War returns, the Germans will be just as keen to avoid a binding commitment in 1991 as they are now.

They are keen to avoid it, because the kind of detente potentially on offer is a new phenomenon in post-war Europe. The detente of 1968-72 failed because its only expression was arms control, which could not overcome an essentially hostile political relationship. Today, we could be on the threshold of a broader political detente, of which arms control is only a partial reflection.

Some of the institutional formulae being discussed in Bonn, for exploiting the new detente, seem decidedly far-fetched. Mr Dregger seems to believe that the division of Europe could be overcome by enlarging the European Community to include East Germany, Hungary, Czechoslovakia and Poland, while the Western European Union would remain the European pillar of Atlantic security.

What is not far-fetched is the wide-spread assumption in Bonn that the East-West quandary is political, and requires a political response. Nato hawks accuse the Germans of preparing to slip gratefully into neutralism; they should beware of making matters worse by crude militarism. Of course, Nato must keep its nuclear deterrence in shape; yet the problem is not a shortage of nuclear weapons. It should be obvious that the alliance is held together by political interests, not nuclear weapons; yet sometimes it looks as though the hawks are gratuitously banging the nuclear drum, because they prefer to deny that the problems facing the West today are more political than military, more European than Atlantic.

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WORLD TRADE NEWS

Telecom groups in fight for HK cable TV licence

By John Elliott in Hong Kong

INTERNATIONAL telecommunications and television companies are linking up in rival groups behind two of Hong Kong's most powerful tycoons – Mr Li Ka-shing and Sir Y.K. Pau – to compete for the colony's first cable television licence which is expected to involve a capital cost of between HK$3bn (£217m) and HK$5bn.

The companies have been attracted by the prospect that the winner might be allowed to use its underground duct network for the colony's possible second telecommunications system when Hong Kong Telecommunications' monopoly local telephone licence expires in 1995.

Mr Li Ka-shing has a majority share in his group, Hutchison CableVision, which has been the favourite for several months and has attracted the most impressive array of big names.

They include British Telecom, Peking's China International Trust and Investment, the Hong Kong and Shanghai Bank, and Swire Pacific which is one of the colony's leading trading "hongs".

It has been working on its bid for about two years and will today announce the details and its consortium partners which, it is thought, might also include Kokusi Denshin Denwa of Japan and Cable Share of Canada.

Sir Y.K.Pao's group, led by a branch of his Wharf Holdings, includes US West, one of several "baby Bells" which have been considering bidding. Sir Run Run Shaw, the local television entrepreneur, is the other key partner. Sun Hung Kai Properties, one of Hong Kong's major property developers, is also involved, plus, possibly, Coditel of Belgium.

This group has only established itself as a viable contender in the past few weeks and is still finalising its proposal.

Bids close next Tuesday when it will also become clear whether there is a smaller third contender comprising a consortium of local property companies, including New World and Hang Lung Development.

Hong Kong Telecommunications, the local subsidiary of Cable and Wireless of the UK, which runs the colony's existing domestic and international telecommunications, withdrew from the bidding last year when the government said it could not own more than a 15 per cent stake and should stay out of cable TV for three years.

In the early 1980s, Hong Kong Telecom started to develop plans for cable television, on the assumption it would be able to use its existing duct network. Later, the government became interested in having a second telecommunications network in the 1990s and realised this could raise the international standard of bidders for the cable TV licence.

Two linked 15-year licences – one for the network and one for broadcasting – will be issued later this year to cover what is thought could become the biggest cable TV operation in the world.

ABB wins NZ power orders

By William Dullforce in Geneva

ASEA BROWN Boveri(ABB), the Swedish-Swiss electrical engineering group, has won two contracts worth $190m (£105m) for a transmission system between New Zealand's North and South islands.

The project involves a high-voltage direct current (HVFC) system which will enable the North Island to use more effectively hydro-generated electricity from the South Island.

One of the contracts, awarded by TransPower New Zealand, goes to ABB alone. The second, for submarine cables, goes to a consortium in which ABB partners Norway's Alcatel STK.

Upgrading the HVEC link will enhance transmission of clean hydro-power from the South Island to the North.

India agrees to speed British investment

By David Housego in New Delhi

RECENT STRAINS in relations between India and Britain were symbolically buried yesterday with the announcement of an agreement between the two governments on procedures to accelerate investment by British companies in India.

Britain is only the third country after West Germany and Japan to be accorded what the Indian government calls "fast-track status". Requests by France for similar treatment both before and during the recent visit to Delhi of President Mitterrand are still pending.

Lord Young, the British Trade and Industry Secretary, sought "fast track" status for British companies at the outset of his current visit to India, with the Indian response as being seen as a touchstone of the current state of relations.

Lord Young is the first British Trade Secretary to visit India in five years. Indian resentment over the activities of Sikh extremists in the UK and a television programme critical of Mr Rajiv Gandhi, the Indian Prime Minister, resulted in a temporary arms embargo on Britain last year and the cancellation of a British ministerial visit to India.

Lord Young said yesterday that Ministers had not raised the Sikh issue with him and that Indo-British relations were now "as warm as they could be". Lord Young saw Mr Gandhi and other senior members of the government.

The "fast-track" status will enable British companies seeking to invest in India to raise any problems they have with an ad hoc committee of Indian and British officials.

As a sign of the changed atmosphere, Mr Vasant Sathe, Minister of Energy, is due to accompany Lord Young on a visit to the Rihand power station in central India where an all-British consortium led by Northern Engineering Industries is completing the first 1000MW stage.

GEC is expected to be awarded the contract for the second 1000MW, worth about £600m, to be built with substantial British aid.

India signs up the world for its software

K. K. Sharma discusses the industry's future with exports totalling $59m last year

FIVE YOUNG programmers, barely out of their teens, crowd over a computer monitor and anxiously watch a new logo they have designed for a highly successful package known as "Signbank," they have written for banks. It is a signature verification programme which also throws up photographs of customers on the screen.

They heave a sigh of relief when their supervisor gives his nod and then tells them a Japanese bank has been added to the long list of customers for Signbank that has fetched Tata Unisys, India's biggest software exporter, more than $10m in the past year.

For Tata Unisys, a joint venture between one of India's largest industrial groups, Tata, and the US computer giant Unisys, Signbank is only one of the specialised packages successfully sold all over the world from its base at the Santa Cruz Electronics Export Processing Zone (Seepz) in Bombay.

It has led a number of Indian companies in selling customised packages abroad, based on locally developed skills and low costs that has made it possible for the country to find a small, but potentially large share in the fast-growing global software market.

Tata Unisys' main advantage lies in its ability cheaply to provide on-site development of software, something that is possible because of relatively low salaries paid in India to highly-qualified personnel. These are being sent abroad constantly to clients such as banks, hotels and travel agencies which are eager to benefit from computerised operations, but need modifications to software packages that are possible only if programmers work with them in their own offices.

Indeed, much of Tata Unisys' annual budget is spent on training software personnel and its "plant" at Seepz is almost entirely dedicated to turning out specialists for export to on-site locations. Costs are low because of relatively small salaries in India, but fresh recruitment has to be undertaken constantly to replace personnel bought up by customers or rival companies. Last year, for example, Tata Unisys lost 171 out of a total of 700 trained employees.

Indian programmers and specialists are in demand not only because their salaries are low but they somehow have an uncanny, logical and mathematical mind needed for programming. Even more important, they do not encounter a communications problem because of their knowledge of English, the lack of which is a major hurdle for the Japanese or Taiwanese.

As a result, Indian software companies are finding customers in all the continents from companies which want on-site software development but wish to avoid adding programmers to their permanent staff and so prefer to contract out.

For the same reason, Western companies are setting up software units in India either on their own or in collaboration with existing companies. Citicorp now has its own establishment while Banque Indo-Suez of France is working in the Tata Unisys set-up at Seepz.

Britain's International Computers has linked up with an Indian associate while British Telecom has tied up with Mahindra and Mahindra. Datamatics Consultants have been exporting software to Wang and Hinditron Computers are doing software jobs for Digital Equipment Corporation of the US. Entry to the Japanese market has been tough because of language problems.

Much of the successful work done abroad is what professionals call "on-site development" but which many countries consider "body shopping" and so have clamped immigration restrictions on Indian technicians, a large proportion of whom do not return home.

Indian companies resent the restrictions because this hampers their main activity of going to their customers to develop customised packages.

Nevertheless, Indian software companies last year notched up exports of Rs900m ($59m), this is negligible in the multi-billion-dollar global market, but the Government hopes that, because of India's advantages and the lack of capacity of software companies in the West, software exports will rise to Rs3bn in 1990.

The modest aim is that when the world software trade touches an estimated $30bn, India's share will be at least one per cent, since software exports are a relatively new development. Even this amount will contribute significantly to tackling the country's enormous balance of payments problems.

The Government is encouraging the industry by permitting easy import of software tools and making available foreign exchange if companies guarantee exports worth about three times the amount. But the main hurdle remains the inability of most Indian companies to set up adequate marketing networks abroad that would seek orders of the kind that are easily and cheaply done on site by trained specialists, who have innate skills that make them natural computer whizz-kids.

Argentina to receive military spare parts worth $13m from US

By Gary Mead in Buenos Aires

ARGENTINA is to receive military spare parts worth $13m from the United States. They will be used for refurbishing 200 armoured personnel carriers and 20 Bell helicopters.

The agreement was signed in Buenos Aires late on Tuesday evening, by Gen Francisco Gassino, the Argentine army Chief of Staff, Gen Fred Woerner, in his capacity as US Chief of Southern Strategic Command, and Mr Horacio Juanarena, the Argentine Defence Minister.

Discussions between the two sides have accelerated in the past 12 months, with senior military and political figures travelling between both countries. Last September, Mr Juanarena visited the US in a bid to promote the sale of Argentina's trainer aircraft, the Pampa. As yet the US has shown no sign of agreeing to purchase the aircraft.

Under the terms of this week's deal, Argentina can draw on a credit (of 18 months' duration) to purchase the spare parts, described by US diplomats in Buenos Aires as not being threatening to either Britain or neighbouring countries.

The US Government position is that "in the context of a democratic society" it is willing to consider requests for further and different military equipment.

However, Argentina's interest in unblocking delivery of already paid-for Skyhawk A-4 fighter-bombers is certain to face a continued veto from Nato allies.

All Nippon to purchase 20 Boeings

By Nancy Dunne in Washington

ALL NIPPON Airways (ANA), the world's eighth largest airline, yesterday announced a $3.15bn purchase of 20 Boeing 747-400s, the largest sale ever of the Boeing model.

The investment in new aircraft, engines and spare parts will equal almost 6 per cent of the 1988 US trade deficit with Japan. The airline is also negotiating the purchase of 15 to 20 smaller 767-300s in a deal which could become the most lucrative of that model.

Mr Shigeya Goto, executive vice-president of the airline, said the 747-400s were selected for their computer-controlled cockpit systems, which reduce the pilots' workloads and because its advanced design and system make the model particularly economical to fly.

All Nippon has been buying Boeings since 1964, and its investment in Boeing has now grown to $10bn.

CAE wins $48m flight simulator contract from West Germany

By Robert Gibbens in Montreal.

CAE INDUSTRIES Limited, the world leader in commercial flight simulators, has won a C$58m ($48m) contract from the West German Defence Ministry.

The contract is for a prototype low-level military flight simulator system. It is a world first for the Canadian company.

The simulator will duplicate topography and flying conditions met by pilots of fighter aircraft flying low-level missions in Europe.

The West German has curbed low-level flights by its fighter squadrons severely, following two major disasters.

The last disaster occurred at an air show in August 1988 at Ramstein when 70 people were killed.

The new simulator system would reduce the number of low-level practice flights needed to be flown by the West German air force.

CAE will deliver the prototype early in 1991 and is expected to get more than C$300m in follow-up work over the next few years.

CAE has a German subsidiary and has built nine Tornado flight simulators for Germany and Italy.

● Boeing's De Havilland division in Toronto will build six DASH-8-100 commuter aircraft for America West Airlines for US$48m and for delivery in 1991.

The order brings total sales of DASH-8-100 aircraft and the larger DASH-8-300 to 295.

Key S African interest rate raised to 16%

By Anthony Robinson in Johannesburg

THE South African Reserve Bank yesterday acted to restrain credit-fuelled economic growth by raising the bank rate 1.5 percentage points to 16 per cent with effect from today.

The bank rate was last raised by two points to 14.5 per cent on November 3 and was followed by a similar 2 point rise in commercial bank prime lending rates to 18 per cent. The latest interest rate hike accompanied news that inflation, as measured by the consumer price index (CPI), rose 0.8 percentage points to 13.3 per cent in January.

Dr Gerhard de Kock, governor of the Reserve Bank said the decision to tighten monetary policy had been taken after discussions with Mr Barend du Plessis, the Minister of Finance, and had been brought about by three developments.

The first was the decline in the gold price to around $380 per ounce from an average of $437 per ounce in 1988. Each $50 drop in the gold price translates into a R2.5bn (£570m) drop in the value of South Africa's 620 ton annual gold output.

This places a question mark over Pretoria's ability to repay foreign debt under the terms of the March 1987 debt rescheduling agreement with foreign banks.

Other key factors include the recent increase in European and US real interest rates to levels higher than those of South Africa and the continuing excessive rise of money supply. This indicated that the vigour of last year's economic upswing had been underestimated, he said.

The higher bank rate will be accompanied by a less accommodative monetary stance towards the banks and discount houses. The bank will curb its own domestic credit creation both through the discount window accommodation and open market operations, Dr de Kock said.

"Given the high level of economic activity and the strong demand for credit that still exists the planned reduction in the Reserve Bank's provision of cash to the banks is likely to lead to at least a temporary rise in some short term interest rates, including prime overdraft rates."

But, he added: "It is not self evident that long term rates, including mortgage rates and yields on government stock and gilts will rise to any significant extent." Developments at the longer end of the market, he said, would depend on supply and demand conditions in the capital market.

In a small technical change, the Bank announced that in future the bank rate will apply at the same rate to funds supplied to the discount houses as well as direct to the banks. Hitherto, the discount houses received a 0.5 per cent advantage.

Confession clears Mandela team of doctor's killing

By Anthony Robinson

ROBBERY was the motive for the murder of Dr Abubaker Asvat, the Soweto doctor linked with the Mandela United affair, a Johannesburg court heard yesterday.

Dr Asvat was shot dead in his surgery the day after he went to the house of Mrs Winnie Mandela to examine four youths abducted from a Methodist mission and beaten up by members of the so-called Mandela United football team. One youth, Stompie Moeketsi, was later found murdered.

But yesterday Mr Zakhele Mbatha, 21, told the court he shot the doctor during a tussle while robbing him of 135 rand. His confession appears to rule out any link between Dr Asvat's death and his visit to the Mandela household.

Two members of the Mandela football team have been charged with the murder of Stompie Moeketsi. The affair has led anti-apartheid leaders to disown Mrs Mandela and Mrs Mandela to disband the football team.

Botha may quit because of ill health

By Anthony Robinson

PRESIDENT P.W. Botha is now expected to resign as executive State President as soon as he is fit enough to hand over his powers formally in parliament. Doctors prescribed a six week convalescence after he suffered "a mild stroke" on January 18.

Expectations that Mr Botha might try to return to a reduced presidential role after having given up the role of national party leader now seem much less probable after state controlled television last week showed Mr Botha's departure for his holiday home at Wilderness on the southern Cape Coast.

The camera lingered over a shot of Mr Botha's hand which appeared to be shaking uncontrollably as he clutched his hat. Although tanned and able to walk unaided Mr Botha looked thinner and strained.

Despite his illness, Mr Botha has tried to keep in touch by phoning Mr Chris Heunis, the acting President and Mr F.W. de Klerk, the recently elected leader of the National Party. Significantly, however, he was not consulted about the contents of the keynote speech read out by Mr Heunis at the opening of parliament at the beginning of this month.

Political sources say he is still being urged to stay at the helm by members of his private political staff led by Dr Janie Roux. The presidential staff has been greatly extended since Mr Botha became executive state president with Gaullist-style powers in 1984. Its powers are resented by Cabinet ministers and others whose access to the President is controlled by Dr Roux and his staff.

Mr de Klerk is understood to have moved quickly to assert his authority as new leader of the party and line it up behind a more flexible approach to questions such as group areas and educational and other reforms aimed at modernising South African society.

But the current division of powers is unsettling because the new party leader does not have the authority, for example, to declare a general election. Mr de Klerk is understood to favour and early election which would give him the chance to consolidate his power.

Bush seeks to make his mark in East Asia

Peter Riddell finds the US is taking Japan seriously as leaders gather in Tokyo

JAPAN has definitely arrived as a big power in the US. The television news superstars Tom Brokaw, *Peter Jennings and Dan Rather* are there this week for President George Bush's visit to Emperor Hirohito's funeral. And the US newspapers are full of analyses of the growing political influence of Japan and the implications for the US.

Two of the main television networks, CBS and ABC, are originating their evening bulletins from Tokyo all week, and NBC and CNN will do so tonight and tomorrow. The 18 hours being devoted by CBS is considerably more than its coverage of President Bush's inauguration and is almost up to the level of a sporting event.

As significant as the quantity of coverage is its emphasis. Long gone are the days of quaint geishas. It is now: how do we, the US, come to terms *with a Japan* which can outcompete us and which is investing heavily in the US? Near the surface of many of the reports is a degree of resentment at Japanese success as well as the recognition of the need for the US to deal with its most financially powerful ally.

According to a Washington Post/ABC News poll this week, more than 40 per cent of Americans consider Japan's economic strength a greater threat to US security than they do Soviet military power.

The Administration makes no secret that one reason for the six-day trip – also taking in China over the weekend, and South Korea on Monday – is to signal the growing importance which the US *attaches to Asia in its foreign* policy. The conservative Heritage Foundation has put the point more bluntly, arguing that "George Bush will have the opportunity to answer the new Soviet challenge in Asia".

"He will be demonstrating that the US is Asia's most important partner in the Pacific and that Washington has enormously more to offer Asia than does Moscow."

Like all modern state occasions, the main focus will not be the funeral but a lengthy series of bilateral meetings, probably 15 to 20, which President Bush will be having with other heads of state and of governments. Because Prime Minister Noboru Takeshita visited the US only three weeks ago, the US/Japanese talks will be *more of a formality*.

The other bilaterals in Tokyo are unlikely to be long, only 20 minutes in many cases. And, as Mr Brent Scowcroft, the President's National Security Adviser, candidly admitted in a preliminary briefing, the substance will not be extensive.

The biggest interest is likely to be on the Middle East talks which Mr Bush will be having with the heads of state of Egypt, Israel and Jordan. He will also be meeting, among others, the presidents or prime ministers of Brazil, France, West Germany, Turkey, Nigeria, Pakistan, Singapore and Thailand.

The China leg of the trip is partly being presented as a homecoming for Mr Bush after his previous experience as legation head there, as well as signalling US interest at a time of closer relations with the Soviet Union.

On his brief visit to South Korea the President will, according to Mr Scowcroft, be stressing the "flowering of democracy" there, while responding to the wave of anti-American feeling by taking a sympathetic view of calls for the relocation of the US military base in Seoul.

It will, as Mr Scowcroft said, be "a very busy trip" – one that even Mrs Margaret Thatcher might find taxing. It is all part of President Bush's energetic new style.

Bush out to cement old friendships in Peking

By Peter Ellingsen in Peking

FIFTEEN years ago George Bush turned down diplomatic jobs in Paris and London in order to represent the US in Peking, a city he toured by bicycle and likened to "life on East 7th street in Odessa, Texas in 1948."

On Saturday, Mr Bush returns to the Chinese capital as US President, travelling on four heavily-guarded wheels instead of two shaky ones, and with a brief to keep Peking – now more like Houston than Odessa – on good terms with Washington. Given the links he established with paramount Chinese leader, Deng Xiaoping, while head of the US liaison office in 1974-75, and the steadily improving Sino-US relationship, the task should not prove too onerous.

Mr Bush, who speaks a little Chinese, is popular here, particularly with Mr Deng who broke diplomatic protocol last year to endorse his old friend during the presidential campaign and is sure to get a warm reception. Though publicly both sides are portraying the visit as a symbolic affirmation of bilateral ties, Mr Bush will do more than shake hands with senior leaders during his two days in Peking.

With a historic Sino-Soviet summit just three months away, he and his Secretary of State, Mr James Baker, will want to ensure Washington does not lose out in the thaw between Moscow and Peking. Though neither publicly fearing nor opposing the rapprochement between the communist giants, the US as the biggest foreign investor in China, has crucial economic and strategic interests to protect. And, as one Western diplomat pointed out, by visiting this month, Mr Bush will "steal Mr Gorbachev's thunder" and pull off something of a diplomatic coup.

The visit will also be a chance for discussions on regional concerns, including Kampuchea, Korea and Taiwan. The US, like China, is keen to see an early resolution of the Kampuchean impasse and a lessening of tension in Korea. Both of theses will need Chinese participation.

Taiwan is more tricky, as the US, which traditionally backed Taipei's independence from the mainland, is now moving closer to Peking and will probably come under pressure to act as a mediator in China's plans for reunification. According to Taiwan government spokesman, Ma Ying-Jeou, this would be disastrous for Taiwan which insists on remaining aloof from Peking's influence.

One of Mr Bush's 100-strong party, though not the President himself, is likely to raise human rights in Tibet, as well as nuclear proliferation. Other issues include US concerns about China's reluctance to apply copyright to American computer technology, China's wish to extend its access to high tech US arms and equipment, and Washington's continuing concern about Chinese arms sales to the Middle East.

Zhao: blamed for harvest

Pressure mounts on Deng to fire Zhao

By Colina MacDougall

THE RECENT flurry of speculation about the standing of Zhao Ziyang, China's party general secretary, has been given further impetus by his unexplained disappearance from the programme of a conference held in Hong Kong.

On Tuesday, Zhao was due to make a speech by satellite to the Pacific regional conference in the British territory, but was replaced at the last moment by Tian Jiyun, a Vice-Premier, according to the usually well informed China News Service.

Reports from Peking said that Wu Xingtang, a central committee spokesman, had commented "Zhao Ziyang is still General Secretary of the Chinese Communist Party," adding: "He is not ill."

This unexplained disappearance follows reports that Li Peng, the Premier, and Yao Yilin, a Vice Premier, had asked Deng Xiaoping, China's paramount leader, to dismiss Zhao, the leading spokesman for economic reform. At a recent private meeting, they reportedly urged Deng to drop Zhao in favour of Li or Qiao Shi, senior politburo member in charge of discipline.

Earlier, in December, Chen Yun, the retired octogenarian who set up China's planning system in the 1950s, was said to have blamed Zhao for China's poor grain harvest last year and for the general economic chaos which undermined party authority.

While Deng is said to have refused to replace Zhao, this unexpected rescheduling of the conference may suggest that Zhao's position has become increasingly shaky.

Seoul warns opposition to back off

By Maggie Ford in Seoul

MR Park Jyun Kyu, chairman of South Korea's ruling Democratic Justice Party, yesterday warned opposition parties that the country was at a turning point and that a return to the politics of confrontation could take place.

A crisis could develop, he said, if the opposition continued to press for investigations into the wrongdoings of the past and the arrest of those responsible. People would not accept any more disgrace, he said.

The ruling party yesterday boycotted hearings at the National Assembly into the 1980 killings by the military in the provincial city of Kwangju, scheduled to end in ten days time.

Mr Park said that the Government intended to make it clear to the opposition that democracy must proceed in South Korea by evolutionary, not revolutionary means.

The Government has recently taken strong steps to crush demonstrations by farmers, students and dissidents. It has also dramatically slowed progress in its policy of rapprochement with North Korea.

● An incident in the city of Kunsan in which a Korean woman was shot and wounded with an airgun fired by a US soldier appears to have increased tensions.

Fresh jolt for Japanese party

By Ian Rodger in Tokyo

JAPAN'S ruling Liberal Democratic Party received a fresh jolt yesterday when a prominent politician withdrew from an election for state governor because of criticism of his acceptance of contributions from the Recruit publishing group.

Mr Kazuo Aichi, a rising LDP star in the Diet (parliament), made his decision after the Japan Socialist Party had thrown its support behind an *independent candidate for the* Miyagi prefecture governorship, Mr Shuntaro Honma, making it almost certain that Mr Honma would win in the election next month.

The LDP is still reeling from a surprising by-election defeat in Fukuoka ten days ago by a Socialist candidate and Mr Aichi said yesterday that he concluded that a defeat for him in Miyagi would be worse for the party than a withdrawal.

Analysts said it was unprecedented for an LDP candidate to withdraw from a campaign for fear of losing. The LDP has dominated the Japanese political scene since its formation in 1955. Despite its continuing grip on power, the party has been badly shaken by the Recruit scandal. It has shown that an ambitious entrepreneur, Mr Hiromasa Ezoe, the *former chairman of Recruit* who was arrested last week on charges of bribery, could advance his interests with widespread favours to politicians, government officials and business contacts.

Mr Aichi, who has been an outspoken critic of Japan's corrupt political financing system, admitted some time ago that he had received a total of some ¥1.6m (£7,000) from the Recruit group since 1976. He said the money was received as normal political contributions, but there have been suggestions that Recruit showed special favour to him two years ago when he became chairman of the education committee of the lower house of the Diet.

Evidence has already emerged about the Recruit group offering various favours to Education Ministry officials, apparently in return for information useful to Recruit's publications aimed at secondary school and university students.

● The Tokyo public prosecutor has demanded an 18-month prison term for Mr Hiroshi Matsubara, a former official of Recruit Cosmos who attempted to bribe an opposition politician last August. Mr Matsubar's trial ended on Tuesday.

Algeria poll on liberal reforms

By Francis Ghilès in Algiers

ALGERIANS vote today on constitutional reforms which allow independent political associations, remove all reference to socialism, provide the right to strike and refer to "fundamental rights and freedoms" of Algerians.

These subjects, which have been taboo since independence in 1962, are now being freely debated in the press and on television.

Sunni Moslem fundamentalists are pressing their claims for a more religious society, blaming Algeria's economic crisis and severe shortages on corrupt rulers. It is *haram* (sinful), one preacher argued on television, for Algeria to earn gold medals at international trade fairs for the quality of its wine exports. The influence of such groups is spreading, as testified by the appearance of women clad in black veils in mosques in parts of Algiers such as Bab el-Oued.

None the less a number of Islamic groups have endorsed the proposed reforms.

Further support has come from the ruling Front de Libération National (FLN) party and from the Parti de L'Avant Garde de la Revolution Socialiste (PAGRS), left-wingers who before joining the FLN during the war of liberation were closely linked to the French Communist Party.

Two weeks ago, a new party was formed, the first to break the FLN's monopoly since 1962. The Rassemblement pour la Culture et la Démocratie, a broadly social democratic party, was established in Tizi Ouzou, capital of the Berber heartland of Kabylia, after a two day meeting of Le Mouvement Culturel Berbere.

Since then articles on Berber culture and the fierce repression which until recently greeted any attempt to teach what remains the original language of Algeria, have appeared in the weekly *Algérie Actualité*, a flagship of glasnost in Algeria, and in *Révolution Africaine*, the FLN weekly which now reflects much broader views. To publish such articles would have been unthinkable a few months ago.

Nevertheless, the debate over the forced pace of Arabisation, which has damaged teaching standards in secondary schools and universities and over the place of Berber, the mother tongue of a fifth of the population, will not be easy.

Solomon Islands may oust Queen

By Our Foreign Staff

SOLOMON ISLANDERS voted yesterday in general elections expected to be won by an opposition party that wants to oust Queen Elizabeth as head of state and establish a republic.

The People's Alliance Party, led by Solomon Mamaloni is contesting all 38 seats at stake. *The Solomon Islands United* Party of Mr Ezekiel Alebua, the Prime Minister, weakened by defections, is standing in only eight constituencies. The United Party holds 11 seats and controls parliament through an informal coalition with a smaller party and independents. Results are not expected known before until next week.

The Solomons are a chain of several groups of islands, with a land area of some 11,000 miles, in Melanesia to the east of Papua New Guinea, and a population of some 270,000. They have been internally *self-governing since 1978*.

The Queen is represented locally by Sir Baddeley Devisi, the Governor General. But the Alliance Party has said it will move to make the islands a republic. All legislative power is currently vested in the 38-member unicameral parliament, which will elect a new prime minister on March 21.

In 1984, at the last elections, the United Party won 13 seats, the People's Alliance 12, Solomonos Ano Sagufenua four and eight seats were won by other parties and independents. One seat was vacant.

Political analysts expect a massive swing against the ruling party because of recent poor economic performance. Inflation has risen from 7 per cent in 1985 to 26 per cent at the end of last year.

Army warns Sudanese Premier

By Julian Ozanne

SENIOR military officers in Sudan have issued an ultimatum to Mr Sadiq el Mahdi, the Prime Minister, giving him one week to make progress in resolving the five-year civil war in the south and make changes to his coalition government.

The ultimatum, signed by *Gen Fahti Ahmed Ali*, Sudan's military commander in chief, and 150 officers above the rank of colonel, follows the resignation of Gen Adbel Magid Khalil, the widely popular Defence Minister, earlier this week in protest at the Government's refusal to accept a peace pact negotiated between the Democratic Unionist Party and the Sudan Peoples Liberation Army late last year.

The Sudanese army has consistently maintained it is not prepared to oust Mr el Mahdi *because it does not have* solutions to Sudan's civil war and rapidly deteriorating economy. But it is clear that the army's patience with his prevaricating policies is rapidly wearing thin and the prospect of a military takeover, as in 1985 and and 1969, is growing.

Last November the DUP and the SPLA signed an agreement in Addis Ababa calling for a national constitutional conference to be held on the freezing of controversial plans to reintroduce Islamic laws, the abro*gation of military pacts*, the lifting of the state of emergency and a ceasefire. Mr el Mahdi refused to seek government endorsement for the accord.

Speech defect drug listed as dangerous

A DRUG used to prevent speaking difficulties among the elderly will be listed as dangerous by Japan's Ministry of Health and Welfare following reports of 11 deaths from its side effects, Reuter reports from Tokyo.

The Tanabe Seiyaku Company's Hopate and similar drugs made by 29 other companies are to go on the dangerous drugs list, a ministry official said. An estimated 150,000 people in Japan currently use these drugs.

The official said excessive or improper use of the drug was suspected to have caused the deaths. It has been found to cause excessively low blood sugar and high blood acid levels that could lead to unconsciousness.

Tanabe Seiyako said sales of the drug had been falling because the company had already issued strict instructions on use. Sales were expected to continue to fall, he added.

Tanabe said it would continue to sell the drug, which is not available outside Japan, as it is indispensable for patients such as mentally underdeveloped infants.

Manufacturers of drugs listed as dangerous must label them as such and doctors are required to ensure careful handling of them, the ministry said. Users will also have to undergo medical examinations once every two weeks.

Critics of Hong Kong law warn of delaying democracy

Liberals fear the new draft Basic Law could be used to put universal suffrage on ice indefinitely, writes John Elliott

HONG KONG'S conservative businessmen and liberal campaigners are squaring up over the degree of democracy in the British colony after 1997 when it reverts to Chinese sovereignty.

Their differences centre on how soon universal suffrage will be introduced for the election of Hong Kong's legislative council and chief executive who will take over from the British governor.

A second draft of the Basic Law was approved by a standing committee of China's National Peoples Congress in Peking on Tuesday. Five months of consultation will follow its publication on Monday. The final draft will be prepared for promulgation by the congress in a year.

Hong Kong is thus about to enter its most sensitive and important period before 1997. Unless the different factions in Hong Kong unite behind compromises, conservative businessmen may well push through a delayed democracy programme with Peking's acquiescence.

The most outspoken critic of the draft is Mr Martin Lee, a prominent lawyer and leading liberal campaigner. The draft is "terrible", he says, because its proposals could delay universal suffrage indefinitely.

Many conservative businessmen believe the draft needs improving to ensure full democracy is achieved by 2012 at the latest. But they insist that the pace of change must be acceptable to Peking if Hong Kong is to remain stable and prosperous.

Liberals and conservatives – along with the British and Hong Kong governments – agree that Peking has introduced big improvements in the 159-clause draft, especially concerning areas of Hong Kong's judicial and administrative autonomy.

The draft allows that, to provide continuity, the legislative council elected (mostly indirectly) under British rule in 1995 should continue to 1997.

Mr Lee agrees that by making the judicial and administrative concessions, Peking has cleverly abided by its commitments in the Sino-British Joint Declaration of 1984 that the new Special Administrative Region (SAR) of Hong Kong would continue to enjoy a "high degree" of autonomy.

"Peking has done this but unfortunately there will be no SAR government willing to exercise that autonomy because the lack of direct elections means that China will control the legislature and the chief executive," he says. "This could continue for 50 years."

Many conservatives as well as liberals want changes in the draft's plans for delaying direct elections for the chief executive and executive council until 2012. The draft makes 2012 only a tentative date for the introduction of universal suffrage because it is subject to a referendum – and subsequent periodic 10-year reviews – which could be controlled and influenced by Peking.

Most members of Hong Kong's Legislative Council would like to dispense with a referendum which many believe would only make the uncertainty worse. But some conservative businessmen want to hedge their bets.

The best compromise that can be expected would be for universal suffrage in 2007, preferably without a referendum, or, at worst, with a referendum free of Peking controls.

The judicial, administrative and other points on which all parties are generally satisfied, subject to some clarification and tightening, include a reduction in the powers for the National People's Congress to revoke laws made in Hong Kong (article 16 in the first draft, now 17). It can now only return laws for redrafting and only in areas which are Peking's direct responsibility – for example foreign affairs and defence.

Peking's powers to impose laws on Hong Kong (old article 17, now 18) have been limited to an annexed list of six uncontroversial items.

The jurisdiction of Hong Kong's courts and their power to interpret the SAR's laws independently (old articles 18 and 169, now 19 and 157) have been strengthened, although some redrafting is needed.

China and the UK have already agreed that a new final court of appeal is to be set up in Hong Kong to replace the UK's Privy Council. China is to table its plans on this soon after the Basic Law has been promulgated so that the new court operates before 1997.

A requirement in article 22 (now 23) that Hong Kong should "prohibit any law or act designed to undermine national unity or subvert the Central People's Government" now covers only "any act of treason, splitting of the state, sedition and the theft of state secrets".

The draft says (article 39) that international covenants on civil, political, economic and other rights and international labour conventions will be implemented through Hong Kong's laws. Liberals are lobbying for the covenants to be included in the Basic Law itself.

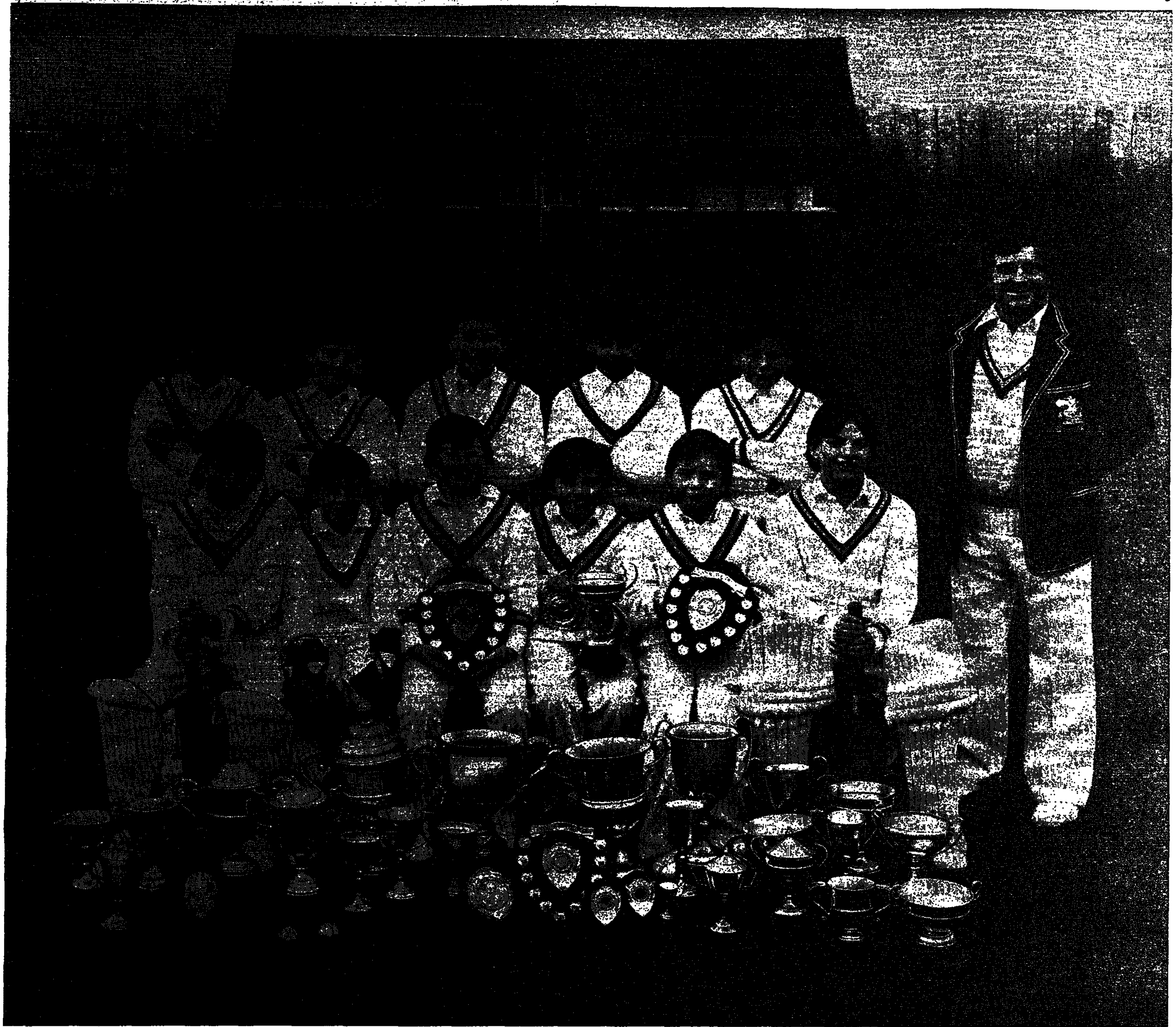
Other changes include the English language being given status as an official language (article 9). Protection against arbitrary as well as unlawful arrest and search has been included in articles 28 and 29 (formerly 27 and 28).

The British and Hong Kong governments are unhappy with requirements (articles 106 and 107) that the SAR "shall strive to balance its expenditure and revenues and to avoid deficits" and that it should also formalise tax laws "with reference to the low tax policy previously practised in Hong Kong".

A lot of conservative businessmen, and Peking, favour these requirements because they would stop a future elected government courting electoral popularity by raising corporate and wealth taxes to finance social spending.

But the British Government has formally complained to Peking that this breaches the Sino-British joint declaration's pledge of "a high degree of autonomy". Demonstrating an unusual robustness, compared with its usual low key approach to Peking, the UK has said that these phrases should be relegated to an advisory appendix.

Mr Lee and others hope Peking does not comply because they would like to see the UK being forced, as a signatory to the 1984 joint declaration, to complain that Peking was defaulting on its side of the sovereignty bargain.



AMERICAN NEWS

Venezuela expected to sign IMF agreement

By Joe Mann in Caracas

THE Venezuelan government expects to sign an agreement in principle with the International Monetary Fund in Washington next week, according to Ms Iglee Iturbe de Blanco, the Minister of Finance.

The Government was seeking an IMF loan of $1.5bn this year under a standby arrangement and also hoped to obtain $900m in 1989 from the World Bank, the minister said. Details of the agreement were still being worked out.

Venezuela's new government will also ask the IMF and World Bank for additional loans, and is projecting credit lines totalling around $10.5bn over the next five years from them as well as from the Inter-American Development Bank.

In Caracas and other cities yesterday, Venezuelan university students demonstrated to protest at the Government's economic measures. An employee of the Central University in Caracas was killed during a clash with police.

● Stephen Fidler in London adds: Venezuela, which last had a binding agreement with the IMF at the beginning of the 1980s, is understood to have been discussing three possibilities with the Fund: a conventional standby loan, a three-year extended fund facility or what is called a first-tranche standby arrangement.

A first-tranche arrangement was the only one for which an agreement could in theory be signed and disbursed quickly, since it does not require the detailed conditions of an IMF standby programme. Under such an arrangement, Venezuela would have access to 25 per cent of its IMF quota of around $1.8bn which could conceivably be drawn in about six weeks.

According to this month's International Financial Statistics, Venezuela drew down almost all of its remaining reserve position with the IMF in December, underlying the country's economic difficulties. This position stood at SDR473m ($624m) at the end of 1987, had fallen to SDR284m by the end of November and dropped to SDR30m by end-December.

Peru sinks into a dirty war as Garcia fails to cope with economic collapse

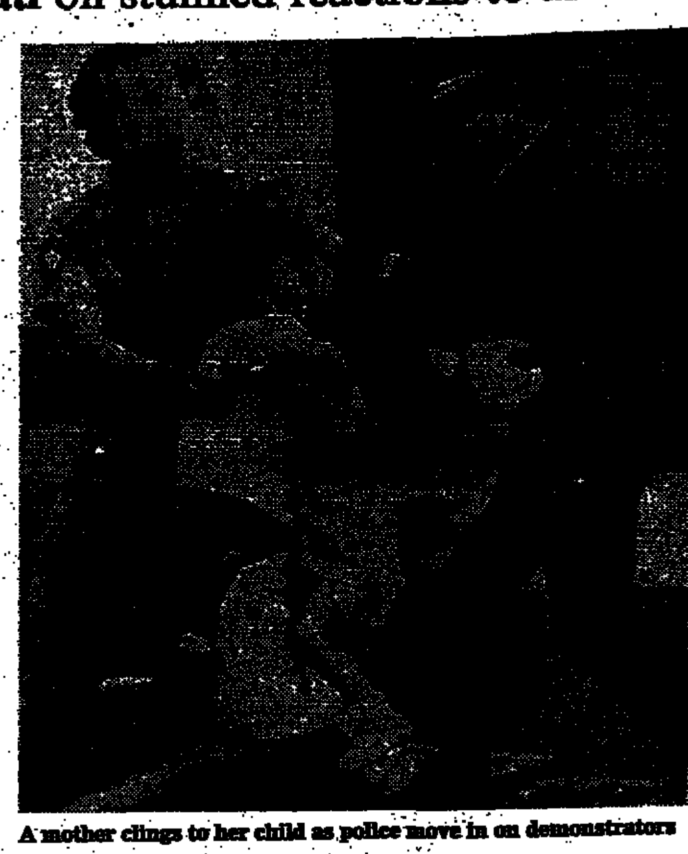
Veronica Baruffati on stunned reactions to an assassination

IN A country numbed by violence, the brutal assassination 10 days ago of Saul Cantoral, secretary general of Peru's powerful miners' federation, has nevertheless had a profound impact. Mr Cantoral is the most public figure to have been murdered during the administration of President Alan Garcia and the conflicting accusations of responsibility have underlined that Peru is now locked in a dirty war. Moreover, it is a dirty war in which innocent Peruvians and foreign residents risk being caught in the cross-fire.

Such is the level of violence that it has become increasingly difficult to pin-point the authors. Mr Cantoral's killing was claimed by persons acting for the Maoist organisation, Sendero Luminoso (Shining Path); but unofficially his death has been attributed to the urban guerrilla group, Comando Rodrigo Franco, which has been responsible for the murder of a number of prominent leftists and which has been linked to the ruling Apra Party.

Sendero and another extreme leftist terrorist organisation, the Revolutionary Tupac Amaru Movement (MRTA) are, however, seen as the main culprits in 1,319 murders last year. In 1988, there were 3,135 terrorist attacks, a 21 per cent increase on 1987. The targets of political violence are manifold – from the security forces to municipal authorities, development projects, agricultural co-operatives, and electricity pylons.

A new feature of Sendero Luminoso activity is the "armed strike", which has successfully paralysed the towns of Ayacucho, Junin and Huanuco for up to five days, demonstrating their ability to control the population for short periods. Sendero has also so terrorised small towns and villages in parts of the Andean highlands that mayors have either been killed, fled or are the terrorists' frontmen.



A mother clings to her child as police move in on demonstrators

Earlier this month, the MRTA launched an unsuccessful mortar attack on the presidential palace in Lima, and now the surrounding railings have been reinforced with huge metal sheets. Only three years ago, President Garcia used to address the crowds from his balcony, thumping his chest to boast the absence of a bullet-proof vest.

While Sendero and the MRTA are known quantities with identifiable leaderships, the Comando Rodrigo Franco is a more shadowy grouping. It made its first appearance in July 1988 with the brutal assassination of a lawyer who had successfully defended a captured Sendero Luminoso leader. Its name comes from a prominent Apra official who was murdered by Sendero Luminoso and is widely believed to be linked both to the fringes of this party and to elements in military intelligence. Their main targets have been trade union activists and journalists critical of the ruling APRA administration.

The climate of violence has been worsened by the behaviour of the security forces and police themselves, which has undermined much of President Garcia's pledge on taking office in 1985 to clean up human rights abuses. It has become commonplace for police to use force to break up strikes, and the press are being alienated by unnecessarily rough treatment on these occasions.

In response to pressures from the international community, Peru has tightened its security measures. Meanwhile, several embassies are discouraging travellers from exploring the interior. The West German Government has placed Peru on the same list as Sri Lanka and the Lebanon as places not to encourage tourism.

There is also the fear that the violence may jeopardise coming municipal elections.

Against this background and a continued failure to come up with coherent economic policies to alleviate inflation and shortages, President Garcia faces an ever more impossible task of regaining respect and restoring authority. The Government cannot even muster a double-figure rating in the popularity polls.

Mr Garcia describes himself as the "solitary gladiator" of Latin America in his fight against the international financial community, but to many Peruvians he more closely resembles Don Quixote. The paradox of Peru today is that, now the country needs international financial support more than ever, it is least likely to receive it.

The armed forces are continuously disgruntled because they have neither the financial resources nor the equipment to wage a successful war against subversion and terrorism. General Enrique Lopez Albujar, the British-trained Minister of Defence, tacitly acknowledged the desperate situation by assuring Lima's 6m-plus inhabitants that, if Sendero succeeded in its avowed aim of blockading Lima from its hinterland, then an air link could be made with the interior to guarantee food supplies.

Mexicans talk to Lawson on debt

By Robert Graham

MR Pedro Aspe, the Mexican Finance Minister, received a sympathetic but non-committal response from Mr Nigel Lawson, UK Chancellor of the Exchequer, when he outlined the debt strategy of Mexico's new government in London yesterday.

The meeting was part of a five-day European tour and follows talks with the Bush Administration. The Mexican government had hoped for an early response from Washington on new credit lines to cover the six-year term of President Salinas de Gortari and for plans to halve the burden of servicing Mexico's $107bn foreign debt.

The Mexicans were disappointed at slow progress in Washington and are seeking to impress the urgency of Mexico's needs on European finance ministers and central bankers. Although capital has flowed back in during December and January to the tune of $1.5bn, the trade balance has deteriorated and the social contract between government, labour and the employers is due to expire in July.

FMLN talks boost peace hopes

By Richard Johns in Mexico City

TWO days of talks between El Salvador's political parties and leaders of the left-wing guerrilla organisation, Farabundo Marti National Liberation Front (FMLN), have revived prospects of settling the country's 10-year-old civil war.

The war has proved the most intractable of conflicts to resolve in Central America and has cost an estimated 70,000 lives.

In response to far-reaching and detailed proposals made by the guerrilla movement in talks near Mexico City, politicians representing 13 factions and including some with government links, agreed to recommend a meeting between the Salvadorean government and the FMLN.

The proposals, aimed at ending the war and involving the FMLN in the democratic process, will now be considered "in their entirety", according to Mr Julio Rey Prendes, leader of the Authentic Christian Movement, who spoke on behalf of the group.

No consensus among the representatives was reached on the key and most contentious FMLN proposal, made on January 23, for the postponement of presidential elections from March 19 until mid-September. The FMLN is now proposing an election be held five months after a ceasefire under international supervision.

The proposal has won the full approval of the left-wing Convergencia Democratica alliance, the FMLN's political ally, and the Roman Catholic Church, which plays an important part.

Mr Prendes and other leaders stressed that any decision on the postponement or other issues would require direct negotiations between the Government of President José Napoleón Duarte and the rebels. But the meeting broke up in a mood of optimism.

Even senior chiefs of the hardline, right-wing National Republic Alliance who are confident Mr Alfredo Christiani, their candidate, can win the election, did not reject the postponement out of hand.

Bidding starts for Brazilian railway project

By John Barham in São Paulo

BRAZILIAN companies began bidding yesterday for a 90-year government concession to build and operate a 1,000-mile railway across central Brazil. The $1.9bn project should be ready within six years.

A group of private investors will build the line linking the consumer markets of southeastern Brazil with the fast-growing farming states of Goias, Mato Grosso and the southern fringes of Amazonia. Two-thirds of the funds will come from tax concessions.

Mr Fabio de Paula Costa, director of the Itamaraty group, one of the bidding companies, said: "The regions the line will serve already produce 10m tonnes of grain a year. By the year 2010, they will produce 50m-60m tonnes."

Construction must follow guidelines established by environmental reports drawn up by the five states concerned. But environmentalists and some federal officials criticise the reports drawn up by poorer states: they say analysis is cursory and that economic development is given higher priority than environmental issues.

The planned east-west railway will be one of several lines crossing the southern Amazon region. The Government is building a railway connecting Brazilia with the Amazon state of Pará.

Somoza guardsmen to be pardoned

By Tim Coone in Managua

PRESIDENT Daniel Ortega of Nicaragua is to pardon 1,700 prisoners jailed for crimes committed under the previous government of President Anastasio Somoza.

The prisoners are all former members of the National Guard who were captured in July 1979 at the fall of the Somoza regime and imprisoned for human rights abuses. Many others escaped and some later formed the nucleus of the US-backed Contra army fighting the Sandinista government.

Announcing the pardon at a rally of government supporters in Managua on Tuesday, President Ortega said "it will be a bitter pill to swallow for some" but added that the move was necessary in the interests of securing "a real and lasting peace".

The pardon, which requires approval by the Sandinista-controlled National Assembly, follows last week's Central American presidential summit at which President Ortega promised far-reaching reforms to bring about a political reconciliation in Nicaragua. He said on Tuesday that 2,000 Contras also being held "will be gradually released as and when the Contra forces are demobilised".

The five Central American presidents agreed to set up a mechanism to disarm and repatriate the estimated 10,000 Contras in neighbouring Honduras. They have remained in their base camps there since US military aid was cut off by Congress last year.

The National Assembly is expected to approve the pardon on February 28 and the release of the ex-Guardia can be expected shortly afterterwards.

Manley prepares to spread Seaga's success

Jamaicans voted to be given a bigger part of the better times, writes Canute James

WHEN Mr Michael Manley was decisively dismissed as Prime Minister by the Jamaican electorate eight years ago, he left an economy strained by years of tension between his Government and the private sector, by open hostility towards the US, and with empty national coffers lacking foreign exchange to finance essential imports.

Now however, Mr Manley, sworn in for another term following the island's general election this month, is surveying an economic landscape much less rugged than the one he left. Mr Manley's social-democrat People's National Party won a landslide victory over the conservative Jamaica Labour Party, led by Mr Edward Seaga. But the vote was less a rejection of Mr Seaga's achievements – the economy has grown for the past three years after a decade of stagnation – than a statement by poor Jamaicans that they were not seeing the benefits of better times.

This could, in part, explain Mr Manley's emphasis on continuity. Few dramatic changes in economic policy are expected. Mr Manley argues that his agenda for the next five years is more considered than a simple combination of the best of his previous administration in the 1970s and of Mr Seaga's in the 1980s.

The Prime Minister is soon to fly to Washington to meet President George Bush and senior officials of the State and Commerce departments. This is intended to ensure no change in the close relations which Mr Seaga cultivated between Jamaica and the US, the island's chief trading partner and the source of several million dollars of aid and of two out of three tourists.

However, Mr Manley intends, "in due course", to re-establish diplomatic relations with Cuba, Jamaica's closest neighbour, cut by Mr Seaga in 1981. "Our new ties with Cuba will not create a problem for our relations with the US," Mr Manley argues.

Local business leaders and Washington are clearly convinced that Mr Manley, this time around, will not indulge in what they regarded as the excesses of his previous administration when the rhetoric from the hard left faction of the party, strident and anti-American, was accepted as government policy. In the eight years since, the moderate faction has been in the ascendancy in the PNP, the left has been exorcised, and Mr Manley says the errors of the past will not be repeated.

JAMAICA, still recovering from the devastation of Hurricane Gilbert last September, has made an emergency drawdown from the International Monetary Fund, the IMF has announced, writes Stephen Fidler.

The drawing of SDR36.4m ($48m) is seen as the first indication that the new government intends to co-operate with the IMF. While there are no economic conditions for drawing such emergency funds, Jamaica is required to express willingness to collaborate with the IMF.

"Of course I have changed," he agrees. "It is an evolutionary process. We are all not the same person we were 20 years ago. And whenever I stop learning and evolving, I will be dead."

The first challenges for the Prime Minister will be on the domestic front. The economy, based on bauxite mining and refining, tourism, agriculture and light manufacturing, was lethargic until 1986 when it expanded by 2.5 per cent, followed by 5 per cent in 1987. It was growing by the same rate again last year when hurricane Gilbert struck in September. Despite this, says Mr Headley Brown, governor of the central bank, growth of 3 per cent is forecast for the fiscal year ending in March.

The economy, however, has been and remains fragile – a condition which is being exposed as the effects of the hurricane are still being felt. To repair the damage to infrastructure and ensure adequate supplies of food, the island's import bill for the fiscal year will be $566m – 51 per cent more than budgeted. This will push the cost of imports to $1.9bn and, with a fall in exports, will leave a merchandise trade deficit of $1.1bn, and a current account deficit of $253m, which is $150m more than projected.

With Gilbert's ghost at his shoulder, Mr Manley has warned of hard times ahead: "There are clear signs that following hurricane Gilbert and the fiscal extravagance of the election, there may be trouble on our economic horizon," he said. "If this proves correct ... if corrective, strong and even tough action needs to be taken, we will take it now and ensure that it is adequate."

The deterioration in the balance of payments account will put pressure on the Jamaican dollar, and Mr Manley could be forced into devaluation – a measure which has always been politically unpopular in Jamaica. The currency was devalued by 69 per cent between 1983 and 1986 during Mr Seaga's administration.

These problems apart, Mr Manley's task in managing the economy will be made easier by continued expansion of the major sectors. Tourism slipped marginally last year after the hurricane forced several hotels to close temporarily, but yielded gross earnings of about US$550m, about the same as the previous year. Strong demand and better prices for aluminium has lifted mining and refining of bauxite, of which Jamaica is the world's third-largest producer. Manufactured exports, led by garments which are shipped to the US, are growing rapidly. These will make up for reductions in agricultural exports – mainly sugar and bananas – from a combination of reduced quotas, low prices, inefficient production and natural causes.

Garcia
llapse

Bidding starts for Brazilian railway project

success

Cost of meeting EC water rules by 1995 '£3bn'

By Our Political Editor

CONSUMERS would *have to* meet a bill of nearly £3bn if the privatised water industry was to comply by 1995 with European Community standards, the Government warned yesterday.

Mr Nicholas Ridley, Environment Secretary, said in the House of Commons that the £2bn forecast mentioned by one opposition Labour MP was an underestimate. He added that the cost of the investment "would have to be borne by consumers" as it had nothing to do with the Government's planned sale of the industry.

The Department of Environment said later that it estimated that meeting the EC drinking water rules would cost £1.2bn, *raising standards* at beaches would cost another £600m and improving sewage treatment would involve spending of £1bn.

This will be in addition to the investment – estimated by some independent studies at £1.5bn – required if the privatised companies switch to water metering for domestic customers.

Mr Ridley said earlier this week that the companies would be allowed to pass on to *consumers the* cost of metering.

His comments yesterday *came as other* senior ministers confirmed that there was growing concern in the Government about its failure to get its case for privatisation of the industry across to the public.

Opinion polls have shown consistently that the water sale is unpopular and in recent weeks it has been dogged by controversy over the implications for prices and for compliance with EC standards.

An EC report earlier this week showed that about a third of Britain's beaches had failed to meet new EC environmental standards although it did show an improvement since 1985.

Mr Michael Howard, the minister responsible for the water sale, responded that the privatisation bill included responsibilities for the new companies "in advance of anthing anywhere else in the world."

He added that the improvements could be paid for "in a *sensible* way over a *sensible* period."

The Government has declined to forecast likely price rises for water over the next decade, beyond saying that the cost of compliance with the EC would add between 7.5 per cent and 12.5 per cent to prices in real terms.

Bank insists on need for centralised Stock Exchange

By Nick Bunker

THE BANK of England intervened in the intensifying *debate* about the future role of the London Stock Exchange yesterday by hinting that it would oppose moves to undermine the exchange as a single centralised market for company securities.

The thrust of its comments were that it wants to see rapid implementation of all-electronic share registration, along the lines of the exchange's proposed Taurus system, as a way of bringing down what it calls the City of London's excessive back-office costs.

Mr Pen Kent, the Bank's associate director responsible for finance and industry, said it could be "efficient and justifiable" *for such a system* to be supplied by a single monopoly provider.

In a speech to the annual conference of the National Association of Pension Funds, Mr Kent said London financial markets would suffer if there were "a series of Pyrrhic victories for special interests which make London too complicated, confusing and expensive a place to do business."

His remarks come at a sensitive time for the London market.

Proposed schemes for moving to an all-electronic share registration system dispensing with share certificates are being *debated by a high-powered* committee representing the securities industry, institutional investors, share registrars, banks and quoted companies.

The committee was convened after profound disagreements emerged between the various parties about whether or not the exchange should proceed with developing Taurus as a single, centralised system.

Another option would be to give registrars a continuing role in running a decentralised system of electronic share registers.

Mr Kent said London's arrangements for *settlement* of equity trading transactions "no longer match up to requirements and risk putting us at a competitive disadvantage internationally."

There was no agreement, however, about a new system, he said, because of conflicts between various interest groups which had a stake in the issue.

"It may be possible to get a satisfactory outcome only if those with a self-interest stand back sufficiently to focus on the larger goal," Mr Kent said.

On the crucial issue of how a new system should be owned and operated Mr Kent said that "an obvious candidate" was the exchange.

"That does not necessarily mean that it should own, direct and administer the system although I suggest the reasons for a *change would have* to very compelling."

Mr Kent said he did not have a definite answer to the question of whether there should be competing settlement systems, but, significantly, he said that "there can be circumstances were a monopoly is efficient and justifiable."

Technophone to expand with Hong Kong plant

By Terry Dodsworth, Industrial Editor

TECHNOPHONE, the UK's only indigenous mobile telephone maker, plans a large expansion later this year with the start of production at a new Hong Kong plant.

The factory, a joint venture with a local company called Video-Technology, will allow Technophone to diversify into the mass market for fixed car telephones. The company now makes only portable phones.

Mr Nils Martensson, managing director, says that the decision to invest in the factory is aimed at helping the group expand in the US where portables account for only 10 per cent of total sales.

Mr Martensson says that he eventually wants Technophone to join the top five world manufacturers. Market leaders include Nokia, the Finnish electronics group, Motorola of the US, NEC and Toshiba of Japan, and Novatel, the Canadian group.

Technophone, based at in Surrey, was launched three-and-a-half years ago with £3.5m of equity. Today it employs about 400 workers, and generated turnover last year of £400m. The group has a manufacturing investment in Australia.

SDP surge cuts Tory lead on eve of vote

By Philip Stephens, Political Editor

A STRONG surge in support for the SDP has led to a further significant narrowing in the Conservative Party lead in the Richmond by-election, according to an opinion poll published on the eve of today's vote.

The poll, compiled for Yorkshire Television by Gallup, suggests that Mr William Hague, the Conservative candi*date, may see his majority* cut to less than 5,000 votes from the massive 19,500 achieved by Sir Leon Brittan at the 1987 general election.

It also indicates that had the two centre parties – the Social and Liberal Democrats led by Mr Paddy Ashdown and Dr David Owen's SDP – fought the seat jointly they would have comfortably unseated Mr Hague.

Dr Owen said that the result would confirm his party as an established force in national politics and intensify the pressure on Mr Ashdown to agree to electoral pacts between the two parties. The SLD leader, however, accused *Dr Owen of* becoming "overexcited" and gave no indication of any shift from his position of refusing any such deals. He added that the SLD's own canvass returns showed it in second place.

The poll, taken at the weekend, suggests that Mr Mike Potter, the SDP, candidate, has overtaken Mrs Barbara Peace of the SLD as the main challenger to Mr Hague, but that the split in the opposition will ensure a narrow Conservative win.

It puts Mr Hague's share of the vote at 41 per cent (down from Sir Leon's 61 per cent in 1987), the SDP at 25 per cent *and the SLD at* 21 per cent. Labour trails at 11 per cent.

Gallup's research also appears to confirm the conclusions of another poll in the constituency earlier this week that the Government's plans to overhaul the National Health have created considerable unease among voters. The other main issue raised as a matter of concern was the economy, particularly rising inflation and higher mortgage costs.

Meanwhile, Dr Kim Howells, the Labour candidate, remains firm favourite to secure a comfortable victory in today's Pontypridd by-election in Wales. Opinion polls this week have suggested that he may increase Labour's share of the vote, although a lower turnout might cut the 17,200 majority recorded by Labour at the last general election.

CBI backs process to clarify bids

By Hazel Duffy

THE governing council of the Confederation of British Industry (CBI) – the employers' organisation – yesterday endorsed recommendations from its Companies committee to make the takeover process more transparent.

The council, however, was not prepared to back fully the proposal put by Mr John Banham, CBI director-general, that all hostile takeover bids by companies which themselves *are bid-proof should be* referred automatically to the Monopolies and Mergers Commission, the Government's monopoly watchdog.

This proposal, and others, will be examined in more detail by the influential President's committee, which represents a cross-section of CBI members.

The results will be put to the meeting of the next council in a month's time.

Mr Banham's moves were made after the President's committee had given him a clear indication there was pressure among members for such measures.

The inconclusive outcome of yesterday's meeting reflected the division of opinion among members on whether the CBI should lobby for tougher measures to reduce the vulnerability of British companies to hostile takeover bids from companies outside the European Community.

All-party support on sell-offs in Belfast

By Charles Hodgson

THE Government's plan to privatise Belfast-based Harland and Wolff shipyard and Short Brothers aerospace company, two of Northern Ireland's largest employers, will today receive the unanimous backing of an all-party Commons committee.

MPs on the House of Commons Select Committee on Trade and Industry will, however, call on the Government to meet a number of conditions prior to the sell-off and main*tain some responsibility for the* future viability of the companies.

In its report published today on the proposed privatisations, the committee will stress the need for the Government to ensure both companies remain key players in the Northern Ireland economy.

The committee will suggest the Government retains an "ongoing responsibility" for the companies, possibly through a "golden share" or similar arrangement.

The report's unanimous conclusion will be an unexpected boost for the Government in its frequently-criticised moves to privatise the two companies.

While members of the *Labour Party are opposed in* principle to the privatisations, they recognise that the process has progressed too far to be reversed. They have therefore led demands that the Government should remain involved in the companies' future after privatisation.

On Harland and Wolff, the committee is expected to urge the Government to reach a speedy solution and to lift its current moratorium on the shipyard's tendering for new orders. Committee members feel that present uncertainty over the yard's future is badly affecting employee morale and leading to layoffs that may affect its future viability.

The committee is also expected to suggest interim Government support for the *privatised* company so it is not put at a disadvantage in competing for future orders against subsidised rivals. But it is believed to have accepted the Government's argument that the taxpayer should not be expected to bear any future losses incurred by the yard.

The report will stress the importance of Shorts being kept as a single entity, based in Northern Ireland, rejecting separate sell-offs of its various divisions. It will also back the principle of collaboration with other aerospace companies in civil aircraft design.

It will urge the Government to consider launch aid for Shorts' new FJX commuter jet. The company is presently seeking partners for the £500m project, which is still in the design stage. The committee will also back a major recapitalisation programme to finance modernisation, which some reports have put at up to £800m.

In Brief

Dublin air route gets new carrier

By Michael Donne, Aerospace Correspondent

FARES ON the Heathrow to Dublin air route, one of the busiest in Western Europe, will be cut sharply from April 28 when British Midland Airways, part of the Airlines of Britain Holdings Group, starts a new scheduled service in competition with British Airways and Aer Lingus.

Mr Colin Roberts, sales and marketing director of British Midland, said yesterday that the business class return fare on the route would be cut from the present £194 to £117.

Passengers would have a choice of six British Midland flights each way daily. Mr Roberts said British Midland's ambition was to repeat the profitable growth it had achieved on routes from Heathrow to Glasgow and Edinburgh by improving the quality of service at substantially lower fares on the Dublin route.

ILG expansion

INTERNATIONAL Leisure Group, the privately owned airline and package tour operator, yesterday announced plans to expand its coach holiday operations throughout Europe, David Churchill writes.

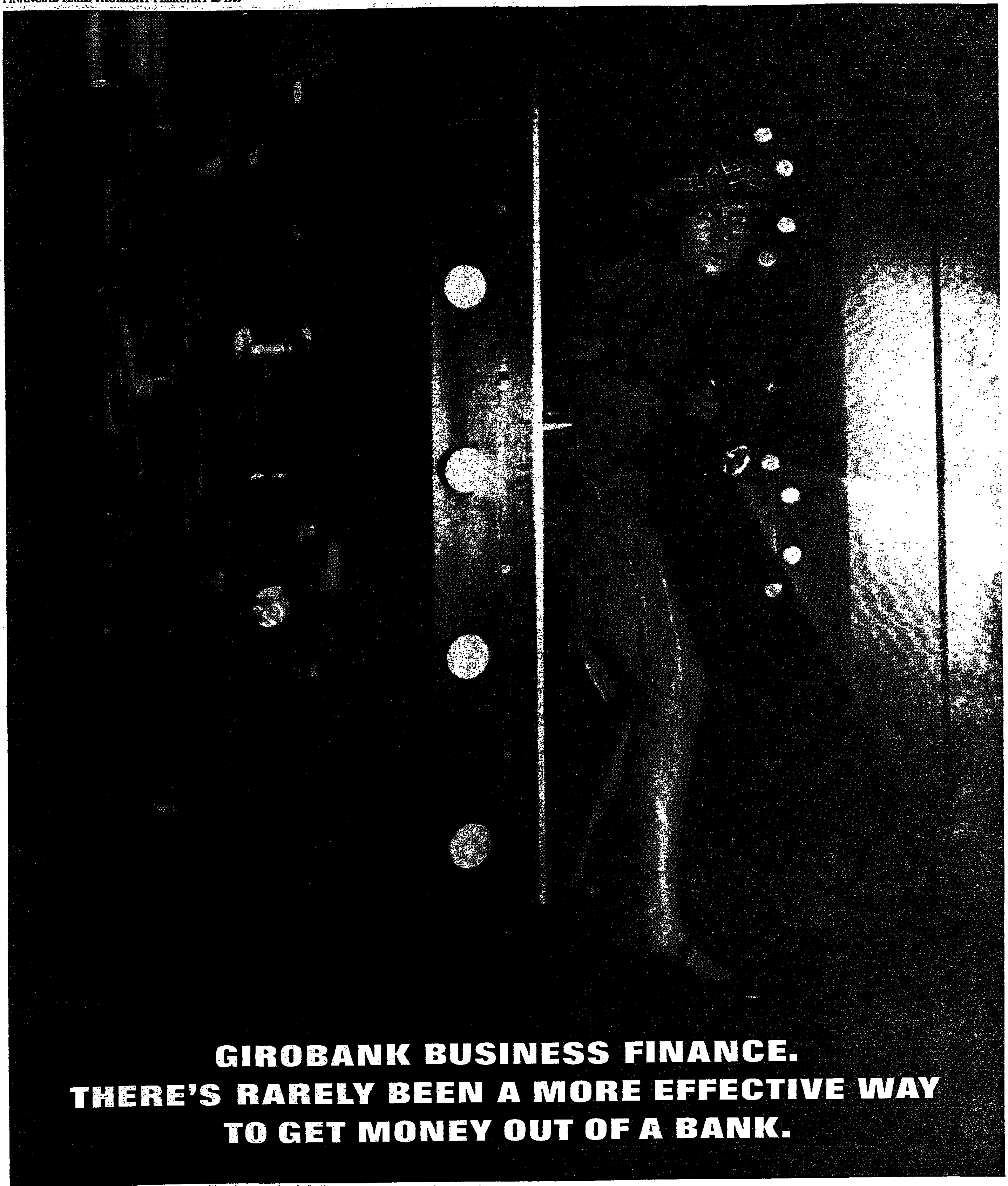
The company plans to operate some 70 coaches to European destinations in 1989 under the Coach Europe banner.

M25 overloading

SECTIONS of the M25, London's orbital motorway, carry almost double the traffic volume it was designed for, according to the UK motoring organisation, the Automobile Association, Rachel Johnson writes. Parts of the motorway *designed for flows of 80,000* vehicles carry 150,000, according to an AA report.

Correction Michael Page

Addison Consultancy Group last year demerged its Michael Page consultancy business, not Michael Peters, as was reported in the FT's survey of the international design industry yesterday.



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BSB secures £250m deal with electronics company

Philips agrees to produce 1m satellite TV decoders

By Raymond Snoddy

PHILIPS, Europe's largest consumer electronics company, yesterday committed itself to making 1m television decoders for British Satellite Broadcasting (BSB) – a commitment worth up to £250m at retail prices.

The main reason for the Philips backing for BSB, the consortium planning to launch three satellite television channels in the UK in September, is that both organisations are committed to the new MAC television standard, which combines digital stereo sound and television pictures with 50 per cent more detail.

Mr Peter Groenenboom, managing director of consumer electronics at Philips International, said Philips and BSB were pursuing parallel goals of using MAC to move to wider screen television sets and then to full high-definition television by the early 1990s.

The Philips executive described MAC as "the engine of the future."

The existing PAL television standard used by BSB's satellite rival Sky Television, owned by Mr Rupert Murdoch, which was launched on four channels earlier this month, was a system that had "now reached the end of the line," Mr Groenenboom added.

Philips would not rule out making PAL satellite receivers for the UK market but had no immediate plans to do so.

Mr Rob Van Oostenbrugge , marketing manager for Philips satellite systems, said yesterday: "We have a small temporary problem with Murdoch."

The Dutch multi-national became the fourth company to make set-top decoders – the black boxes that convert the satellite signal for television use – on an "exclusive" basis for BSB.

Last year BSB said it would appoint up to five manufacturers and at the time selected Ferguson, now part of Thomson of France, Salora of Finland and Tatung UK, the Taiwanese-owned manufacturer.

Philips said yesterday it would produce at least 50,000 decoders by the end of this year and would gear up production to supply 50,000 a month throughout 1990.

In all, Philips would supply more than 1m at a retail price of about £250.

BSB, whose shareholders include the Bond Corporation of Australia, Granada, and Pearson, publishers of the Financial Times, said the three major European television manufacturers were now committed to volume production of its equipment, including the so-called "squarial" – a square receiving dish.

Mr Groenenboom said Philips had hesitated in making a commitment to BSB because the electronics company had been trying to get a single standard for satellite television in Europe.

"It is now clear that this will not happen – at least not this year – and we must safeguard our own commercial position," Mr Groenenboom said.

UK growth 'likely to exceed rest of Europe'

By Peter Norman, Economics Correspondent

BRITISH economic growth is likely to exceed that in the rest of Europe for most of the next 10 years while UK living standards could overtake those of West Germany by the end of the century, according to the chief economic adviser of the Confederation of British Industry (CBI), the employers' organisation.

Presenting the first CBI president's annual lecture, Mr Douglas McWilliams said Britain's comparative strength in the services sector should become an increasing advantage while the UK's aggressive financial system and deregulated economy should give it a lead over other countries.

Mr McWilliams, who is also visiting professor at Kingston Business School in London, said the stock market had failed to appreciate the turnaround in British management performance and prices of UK company shares were "far too low" by international standards.

He said: "Harder, sharper, more robust, more determined and more confident" management has been the key factor behind the "outperformance" of the British economy.

Official figures have considerably underestimated British growth in recent years because of statistical under-recordings associated with the information technology industry and industries using information technology, Mr McWilliams added.

UK growth has been about 1.25 per cent a year more than recorded during the 1980s and presently is about 1 per cent a year more than in the official figures. As a result Britain has grown more than a fifth faster than the average of the other major industrial economies in the past decade.

He said macroeconomic policy probably did little to support growth in the 1980s. Supply side improvements such as tax cuts, deregulation, privatisation and industrial relations reform have been important in making rapid growth possible.

The "extra ingredient" behind Britain's strong growth has been a UK management renaissance in which managers have responded more positively to economic circumstances than might have been expected in the light of historic trends.

British companies have benefited from improved financial management since the early 1980s when losses among UK manufacturers acted "as an electric shock," Mr McWilliams said.

The abolition of exchange controls in 1979 meant a level of profitability below that in other countries was no longer acceptable while the increased sophistication of UK financial markets forced British management to take difficult decisions.

The need to improve financial performance gave a spur to spending on information technology. "There is a clear connection between the UK management renaissance and the spurt in growth in the UK information technology industry in the early to mid-1980s," Mr McWilliams said.

Looking ahead, Mr McWilliams said the further spread of information technology should benefit the UK, which already has the largest information technology market place as a proportion of gross national product in Western Europe and should be able to exploit the shift in this market from being based on the production of electronic hardware to being based on software and services.

Britain's exports of information services are already over a quarter the size of UK manufactured exports. "One forecast that I have seen suggests the UK's exports of information services will, by the end of the century, exceed those of manufactures," Mr McWilliams said.

Asians curry favour in Bradford

Richard Donkin on the economy driving Islam in West Yorkshire

THE Formica tables at the Kashmir restaurant in Morley Street, Bradford, are new but the curries have not changed much. They are still served without cutlery or napkins and clients are expected to use their chapattis as scoops.

The Kashmir is one of about 73 Asian restaurants in Bradford, West Yorkshire, which were established to cater for Asian men who emigrated to work in the cotton mills after the second world war. Later they were discovered by university students and today they have become the fashionable haunts of Bradford's pinstriped businessmen whose presence tends to undermine the notion that the city is beset with racial tension.

The Bradford generation: a prosperous future for Asia's children

The burning of Mr Salman Rushdie's novel, *The Satanic Verses*, by orthodox Moslems in Bradford last month, and unrest among the city's more radical elements has failed to dent a flowering Asian economy which is becoming increasingly multicultural in its trading patterns.

Asian food has proved one of the uniting factors of a cosmopolitan community where cultural integration has been limited to that which is possible outside the confines of religion.

The curry houses are proving increasingly popular with businessmen who take along their clients. The food is so good that some customers will order a dozen or more curries to take back for their deep freeze.

Mr Bary Malik, recognising this demand for bulk takeaways decided to go into the frozen curry business. Before setting up Himalayan Frozen Foods two years ago he had been selling Asian savouries to shops in Bradford. Now, with the help of a £1,500 grant from Bradford City Council and a £5,000 bank loan he has been able to invest in a large blast freezer that can freeze 500 curries at once. He employs six staff and has plans to sell to the supermarket chains.

Mr Malik, a member of the Ahmedi sect – persecuted in Pakistan for its belief that the Moslem Messiah came to earth in the last century – is also a Justice of the Peace, presiding over minor criminal cases and committals. His sect is pacifist in nature yet this does not depreciate his family's revulsion of passages in the Rushdie book. "I showed the offensive passages in that book to Christian colleagues on the magistrates' bench and they shared my disgust," he said.

The Rushdie affair has united an often disparate Moslem community. Bhuttoists and supporters of the late President Zia have supplanted their domestic squabblings with a mutual hatred of Rushdie and his publishers, Viking Penguin.

The debate raging within the mosques and Asian homes contrasts with the outward calm of the working community where the developing Asian economy is recognised as an increasingly important factor in Bradford's regeneration.

The Asian community suffered badly in the recession which was already biting in the textile industry before 1979. Thousands were made redundant as the industry shrunk by half by the early 1980s.

Mr Sher Azam, president of the Council for Mosques in Bradford, explained: "These were poor people and much of the money they earned went back to Pakistan or Bangladesh for their families."

As families gradually became reunited in Bradford a greater proportion of the earnings were retained in the community but the redundancies in the recession dealt a new economic blow to Bradford's 55,000 Asians.

"There was no alternative employment. No new industries were encouraged into the city," said Mr Azam. The main problem was lack of development land. The closure of a mill, putting 1,000 people out of work, would release perhaps only an acre of development land.

Bradford City Council is seeking new industrial land through compulsory purchase powers but in the meantime the Asian community has been steadily expanding its economic base. The signs of future prosperity are encouraging compared with 10 years ago.

"We knew there was work in the south but families which had been split before were reluctant to be split again. The family unit is so important to Moslems. Many formed their own small businesses out of necessity," said Mr Azam.

In 1966 Bradford had a little over 100 Asian businesses. Twenty years later there were more than 1,300. Mr Azam manages the Panorama supermarket which claims to be the largest Asian food store in Europe. The business was established when 160 families pooled their resources into a co-operative venture. "We followed Islamic principles which do not allow borrowing involving the payment of interest. All the money invested came mainly from the shareholders. We did not borrow a penny from the bank," he said.

Moslem businesses have concentrated on retailing and food supplies where a single shop may support, in some cases, a family of 10 or more. Small manufacturing concerns, however, are springing up among the other ethnic minorities.

Mr Tony Bhogal, one of Bradford's 8,000 Sikhs, manages Autoelectro, a family business which employs 15 people reconditioning starter motors and alternators for cars. "The Moslem community is large enough to trade internally but we need to trade with everybody so we tend to concentrate on technical and manufacturing businesses. Quite a few Sikhs have businesses in the building and motor trades," he said.

Autoelectric has started exporting in a small way to the West Indies and is planning to increase its workforce to service a new local contract.

The Asian stores and shops are firmly established on the Bradford tourist trail by a city council promotion called Flavours of Asia. Mr Azam claims Asians come from Manchester and London to shop in Bradford.

He said: "Attitudes are changing. More of us now accept that our future is here in Bradford. We like to think our community is assisting the economy in its own small way. There is a lot of confidence about in the city today and we feel that too."

This increased confidence can be recognised in their willingness to challenge the state over education, as in the application for direct grant status from the Zakaria Moslem girls' high school in neighbouring Kirklees. A Moslem boycott of state schools throughout Kirklees was organised on Tuesday to back the campaign.

If there is racial tension in Bradford there is little evidence in the working community where Asians and whites work together in relative harmony. There is mutual respect between the communities and when violence does erupt among Moslems it is usually brief and intense.

The ugly sectarianism and "Rivers of Blood" forecast more than 20 years ago in an election speech by former MP Mr Enoch Powell has not materialised. Some moderate Asians fear it could happen, but most are too busy working 16-hour days to worry about it.

Beechams switches from CFCs

By Christopher Parkes, Consumer Industries Editor

BEECHAM, the drugs, toiletries and food group, has stopped UK production of aerosols containing chlorofluorocarbons (CFCs), the propellant gases believed to be partly responsible for destroying the atmosphere's ozone layer.

It has spent £1m, mainly at its factory in Maidenhead, Berkshire, to convert its aerosol filling lines to use butane gas, the most common alternative to CFCs.

Elida Gibbs, the Unilever subsidiary, started converting its entire range last year, shortly after the dangers to the ozone layer and the environment became a public issue.

Multiple retailers, led by the supermarket chains, have also asked manufacturers of their own-label products to stop using CFCs, and it is believed about half the aerosols now made in the UK can be considered environment-friendly.

Mr David King, chairman of Beecham Products in the UK, said: "We have been reducing the use of CFC propellants since 1980. We have now completely removed them from our products well ahead of the target date set by the 1987 international conference in Montreal, which called for a 50 per cent CFC reduction by 1999."

Beecham, which claims a 12 per cent share of the UK market for aerosol toiletries, fills about 50m canisters a year in Britain, of which 10 per cent are exported.

Products include hair sprays, anti-perspirants and shaving foam. The US banned CFC propellants about 10 years ago, and manufacturers' output suffered because suitable alternatives were not generally available. However, improvements in hydrocarbon gas technology have helped recovery.

Manufacturers are also *studying the possibility of reintroducing* alternatives, such as compressed carbon dioxide, nitrogen and air, which were commonly used in early aerosols. They are cheapest of all, but canisters filled with these gases tend to lose pressure as the aerosol empties.

Simple pump sprays, where spray pressure is generated by finger action, are also being considered. About 40 per cent of hairspray sold in the US is sold in these packs. While the proportion in Europe is only about 10 per cent, it is climbing as CFCs are phased out.

● Britain's first international conference on ozone layer depletion takes place in London between March 5 and 7.

Scots accountancy body seeks English merger

By James Buxton, Scottish Correspondent

THE Institute of Chartered Accountants of Scotland yesterday launched a campaign to persuade its members to accept the controversial proposal for a merger with the Institute of Chartered Accountants in *England and Wales*.

The Scottish institute argues that a merger is the best way of safeguarding the influence and standing of Scottish accountants.

But the merger, which must win a two-thirds majority at a vote on June 6, faces considerable opposition among many Scottish accountants.

A survey commissioned by opponents to the merger of a sample of members of the Scottish institute showed that 43 per cent had decided to vote against merger, compared with 24 per cent intending to vote yes. Members of both institutes are being sent details of the proposed new body, the Institute of Chartered Accountants of Great Britain.

Yesterday Mr Frank Kidd, president of the Scottish institute, said that the merger had become necessary since the 1986 Financial Services Act, under which firms of accountants had to be authorised by one or other of the two institutes. This has led to the anomalous situation where large firms operating in Scotland are authorised by the institute for England and Wales.

Some 7,000 firms have registered with the English institute while 500 have registered with the Scottish body.

Mr Kidd said that the Scottish institute would lose influence and prestige if it remained an independent body. It would then attract fewer *students which would* reduce its revenue. A vicious circle of increased costs and reduced services would set in.

Scotland would have 15 of the 65 seats in the council of the proposed new body. Edinburgh would be the headquarters for several of its key functions, including control of education and training. There would be a merged education system for the two bodies. A new Scottish college would be established which would provide services to British institute members in Scotland.

But many Scottish accountants fear that the distinctiveness of Scottish accountancy will be eroded. The Scottish institute has 12,000 members, of whom half are in Scotland and the rest in other parts of the UK or overseas.

The Institute of Chartered Accountants in England and Wales has 87,000 members.

A group of nine dissident Scottish accountants argue that the merger is unnecessary, saying that the questions of regulation and authorisation could be solved by closer co-operation between the two bodies north and south of the border. A diversity of views among accountants' organisations is better than a monolithic approach.

British managers 'more optimistic on economy'

By Peter Norman, Economics Correspondent

BRITISH managers are taking a significantly more optimistic view of economic prospects this year, according to the latest *monthly* Business-MORI opinion poll.

The poll of 500 senior managers in leading companies found 41 per cent of those interviewed expect the general economic condition of Britain will improve over the next 12 months compared with only 26 per cent a month ago. The portion of respondents expecting conditions to worsen fell to 22 per cent from 35 per cent.

The poll was carried out between January 18 and February 8 and drew on a pool of 40,000 managers below main board director level in Britain's 750 biggest companies.

Business-MORI said the change in mood between the two surveys mirrored January's 257-point rise in the FT-SE 100 share index. The increased optimism reflected a "corporate sigh of relief" as managers reasoned that higher interest rates were starting to take effect and that with luck further interest rate increases would be unnecessary.

The poll found the jump in confidence was evenly spread throughout Britain. Personnel managers appeared more optimistic than others while bigger companies were more bullish than smaller companies.

In companies with annual sales of more than £1bn, 57 per cent of managers throughout the economy would improve against only 37 per cent in companies turning over less than £250m.

The poll is published in the March issue of Business magazine.

Lloyd's firm completes 'stop-loss' cover facility

By Nick Bunker

A PROSPECTIVE crisis in the supply of 'stop-loss' insurance for members of Lloyd's of London, the private insurance market, apparently receded yesterday with news that Holman Wade, the Lloyd's insurance broker, has finished six months' work creating a new stop-loss facility underwritten by other Lloyd's syndicates.

Personal stop-loss policies protect members of Lloyd's against unusually large build-ups of claims, but there were fears late last year that the supply of cover could dry up because of persistently poor results suffered by the stop-loss insurers.

Delays in arranging stop-loss coverage for 1989 have been unprecedented and there have been fears that the mass resignations of members of Lloyd's seen in 1988 could recur if members cannot buy cover against big losses.

Two typical Lloyd's underwriting agents, David Evers and Wellington Underwriting Agencies said that as of Tuesday they had not sent stop-loss premium quotations to any of the members they act for. "We're still waiting in a queue to get quotes from the brokers," Mr Evers said.

Mr Michael Wade, of Holman Wade said, however, that his firm had put together a stop-loss contract which should cover the firm's 11,000 clients, about two thirds of the estimated 17,000 Lloyd's members who buy such protection.

A key reason for the delay in completing construction of the facility was that Holman Wade had to arrange what Mr Wade called a "substantial reinsurance programme" with insurance companies outside Lloyd's.

Apple Corps seeks ban on computer trade mark

By Raymond Hughes, Law Courts Correspondent

A WORLDWIDE ban on the use by Apple Computer of the name "Apple" on equipment designed for synthesising music is being sought by Apple Corps, the Beatles' company.

In its UK High Court action launched this week, Apple Corps is also claiming damages for alleged breach of contract by the California-based computer company and its UK and German subsidiaries.

The dispute concerns a 1981 agreement between the two companies on their use of the Apple trade marks, in which the computer company agreed not to use its green apple trade mark on music synthesising apparatus.

Apple Corps alleges that Apple Computer has used its Apple marks on many products specifically designed to synthesise music, including its principal personal computers.

Mr Nicholas Valner, a partner in Frere Cholmeley, Apple Corps London solicitors, said yesterday that if the action succeeded "Apple Computer will have to drop its Apple name and marks entirely from the products, or re-tool them to take out the alleged music synthesising capabilities, or cease production of the relevant products."

One of the complaints made by Apple Corps in its writ concerns Apple Computer's "Musical Instrument Digital Interface", or MIDI, which is a way of exchanging information between electronic musical instruments and between them and computers.

Apple Corps contends that the MIDI is specifically designed and intended for synthesising music in breach of the 1981 agreement.

FINANCIAL TIMES SURVEY

The ceasefire in the Gulf War has taken the sting out of Shia radicalism and brought a collective sigh of relief in Kuwait. Chastened by an earlier financial débâcle, the business sector now hopes for an upturn provoked by reconstruction in Iraq, reports **Victor Mallet**

A solid stand finally pays off

KUWAITIS sleep more soundly in their beds these days, now that they can no longer hear the nearby sound of warfare between Iran and Iraq, their two overbearing neighbours in the northern Gulf. The ceasefire in August which suspended the war after eight years of fighting is an obvious relief.

For Kuwait, a small but immensely wealthy state of some 2m inhabitants which depends entirely on foreign trade, the most immediate benefit of the ceasefire is the improved security for its imports and oil exports.

After a series of Iranian attacks on merchant shipping going to and from Kuwait in 1986 and 1987, the Kuwaiti Government asked the superpowers for help. Under the most important arrangement 11 Kuwaiti tankers were registered in the US and so earned US naval protection in the Gulf.

This year, in one of the more visible signs of the benefits of the peace, the two governments have said the process is being reversed. Six oil tankers are to revert to the Kuwaiti flag, and the other five are expected eventually to follow suit.

There have been other significant advantages for Kuwait from the uneasy peace and the chain of events which led to Iran's acceptance of UN Resolution 598. During the war, Kuwait and its allies in the Gulf Cooperation Council had supported Iraq – a fellow Arab state. They could only be pleased that it was Iran which appeared finally to sue for peace from a position of military weakness.

The threat of an exported Shia revolution from Iran was particularly feared in Kuwait, where Shias make up a substantial proportion of Kuwaiti nationals and where a handful of Shia radicals had already resorted to sabotage.

"There was a moment for me and the Government of taking matters very seriously," says Sheikh Salem al-Sabah al-Salem al-Sabah, the Interior Minister. "Now things are relaxed, there is no tight security ... the reports I get have nothing worth mentioning to the Prime Minister or the Emir – maybe a suicide or another social problem."

Shias may still find it difficult to get sensitive jobs in the administration, but the tension has eased. This month Kuwait disclosed that it had freed and deported two of the 17 pro-Iranian militants jailed for their part in a wave of bombings in 1983. Both had served their five year prison sentences. Hijackers of a Kuwaiti jumbo jet in April last year demanded the release of the 17, and two Kuwaiti passengers were killed. Kuwait stood firm and says it made no concessions.

Paradoxically it is now Iraq, supported by Kuwait and Saudi Arabia during the Gulf War to the tune of more than $35bn, which is once again regarded as a threat by many Kuwaitis. Iraq has a long-standing claim to parts of Kuwaiti territory, and Iraqi troops are said to have crossed illegally into Kuwait at least once after the suspension of hostilities with Iran.

Since its full independence from Britain in 1961 Kuwait has skilfully endured the jostlings of its much larger neighbours - including Saudi Arabia - by diplomacy rather than by force of arms. Kuwaiti leaders have seized on the ceasefire as a chance to settle the border dispute with Iraq once and for all. Sheikh Saad al-Abdullah al-Salem al-Sabah, the Crown Prince and Prime Minister, went to Baghdad this month in an effort to resolve the dispute, but he returned without an agreement.

At home the Emir, Sheikh Jaber al-Ahmad al-Sabah, has emphasised Kuwait's determination to keep and develop its underpopulated but oil-rich northern lands by making a well-publicised visit to the area to endorse the establishment of a new town at Subiya.

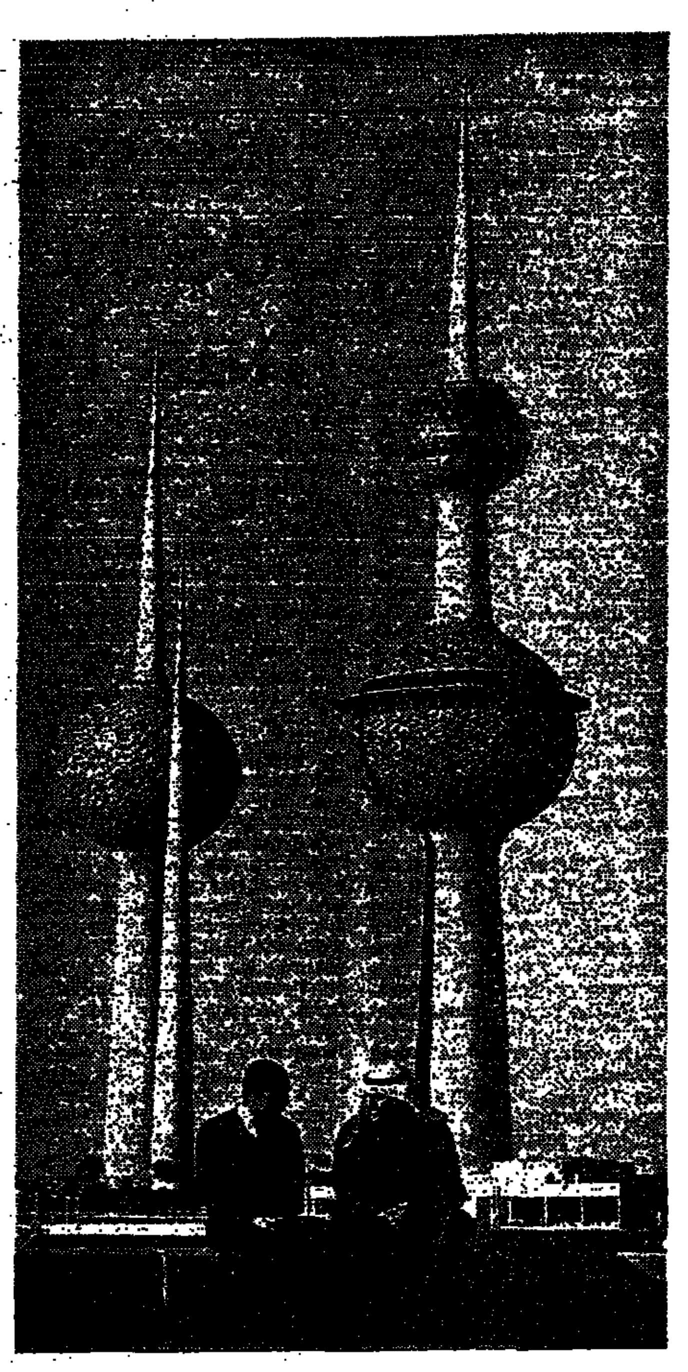
In the meantime, Kuwaiti officials are all too aware that the Gulf War is suspended rather than permanently resolved. "It is a ceasefire, not an end of war," says Mr Saud Mohammed al-Osaimi, Minister of State for Foreign Affairs. "It will not be easy for them to come to an agreement in one month or even in one year."

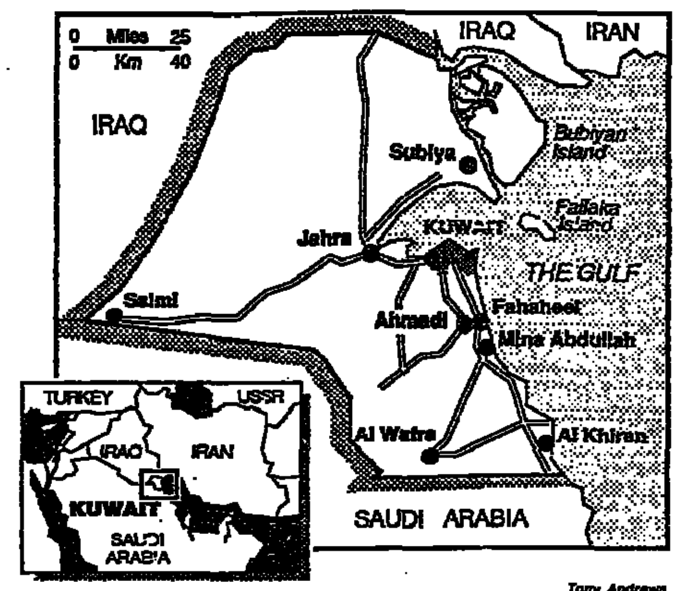
To deter any incursions, Kuwait last year decided to modernise its armed forces and agreed to buy $1.9bn-worth of F-18 jets and Maverick missiles from the US.

In one important respect the ceasefire failed to fulfil early Kuwaiti expectations. Entrepreneurs had hoped for a much needed surge in non-oil business based on reconstruction in Iraq and even Iran after the war. But the boom has so far failed to materialise, leaving traders with unwanted stocks and Kuwaiti ports still working well below capacity.

Although Kuwait leapfrogged the industrial revolution and plunged straight into the age of high technology on the strength of its oil revenues, the country cannot avoid feeling some of the twinges associated with economic adjustment. The exceptionally generous welfare state, which provides free schooling, free health care, subsidised housing and cheap electricity for Kuwaiti citizens, encourages large families.

Kuwait's population is therefore growing at one of the fastest rates in the world, and oil prices are not as high as they once were, causing per capita income to decline to unfamiliarly moderate levels.





Tony Andrews

The Kuwait Towers in the capital, Kuwait City (left) and the ruler of the state, the Emir, Sheikh Jaber al-Ahmad al-Sabah

KUWAIT

CONTENTS

Key Facts

Head of state: Emir of Kuwait, Sheikh Jaber al-Ahmad al-Sabah
Area: 17,818 sq km
Population: 1.87m*
GDP per capita: $10,000 (est)
Inflation: 0.6%
Currency: 100 fils = 10 dirhams = 1 Kuwaiti dinar (KD)
Exchange rate: $ = KD 0.288, £ = KD 0.503 (Feb 1988)
Merchandise exports: $8,315m
Oil export revenues: $4,557m
Merchandise imports: $4,769m
Trade balance: $3,545m
Current account balance: $4,414m
Principal trading partners:
Exports (%): Japan 19.8; Italy 10.5; Netherlands 9.3 Singapore 8.1
Imports (%): Japan 20; US 11.6; West Germany 9.4; UK 8.5

* All figures 1987

If the expatriates who make up 60 per cent of the population are included, per capita gross domestic product has been halved over the years to around $10,000. Kuwaitis are not excessively flamboyant, but they are accustomed to living in comfort. Economists say that personal indebtedness is on the increase.

Unemployment is just beginning to emerge as a problem as more Kuwaitis complete their higher education. Government officials are concerned that only about half the annual output of 2,500 graduates are finding jobs. Foreign workers, especially the many skilled Palestinian administrators, are beginning to feel the pinch as the Government promotes the interests of Kuwaiti nationals.

Kuwait's economic maturity and the completion of most of its basic modern infrastructure has revived the debate about long-term planning. Broadly Kuwaitis can be divided into two camps - the developers and the merchant-financiers. The developers believe that jobs can and should be created at home by investing in local industry. The financiers insist that it is pointless to spend money on projects with low rates of return, however worthy, when there are better profits to be made on the London stock market.

At home the Kuwaiti financial system is still digesting the disastrous effects of the crash of the unofficial Souk al-Manakh stock market in 1982. Abroad, however, Kuwait seems to have been remarkably successful in investing its oil revenues.

Suffice it to say that investment income is now roughly on a par with oil exports as a source of foreign revenue, protecting Kuwait from any sharp fall in oil prices. Kuwait has about $100bn in reserves, with perhaps two thirds of it in high-quality assets of the Reserve Fund for Future Generations managed by the Kuwait Investment Office in London.

Indeed the KIO is financially so powerful that it is likely to have to tread carefully to avoid a repetition of the recent row with Britain over British Petroleum. The KIO bought heavily into the flopped privatisation issue of BP shares after the world equity market collapse of 1987, raising its stake in the company to more than 20 per cent and antagonising the British Government. A satisfactory compromise allowing BP to buy back shares was eventually agreed, leaving Kuwait with a handsome profit.

Politically, Kuwait is one of the more developed Gulf states, although its previous experiments with western-style democracy have all foundered. Recently former members of parliament have tried to set up a "committee for the defence of the constitution", and have launched the latest in a series of petitions asking for the restoration of the national assembly.

Most of Kuwait's inhabitants respect the ruling al-Sabah family, particularly the Emir, and many of them believe that the previous assembly was simply too outspoken in its criticisms of the traditional leadership. The Emir has made no promises, but it is thought that he may eventually allow the creation of a new assembly, possibly one with limited powers and a number of appointed members. Before then the strict censorship of the local media is likely to be eased.

Whatever the future of Kuwaiti domestic politics, the country's rulers are unlikely to be able to relax completely as a result of the Gulf War ceasefire. Kuwaitis will continue to deploy their oil wealth and diplomatic skills for their difficult balancing act in the turmoil of the northern Gulf.

The economy faces a period of readjustment

Crude realities

IT IS commonplace to say that most countries would love to have Kuwait's economic problems. You can still choose between Iranian and Soviet caviar at the local supermarket. At current rates of production crude oil reserves will last more than 200 years, and for government planning purposes that means for ever.

Even if oil prices fall sharply, Kuwait has sensibly insulated itself by shifting the emphasis of exports from crude oil to refined products, and by investing heavily in non-oil assets overseas. The income from these investments is now of the same order as oil revenues.

Furthermore, Kuwait has been dealing with the aftermath of the multi-billion dollar 1982 crash of the unofficial stock market, the Souk al-Manakh, by propping up banks crippled by bad debts.

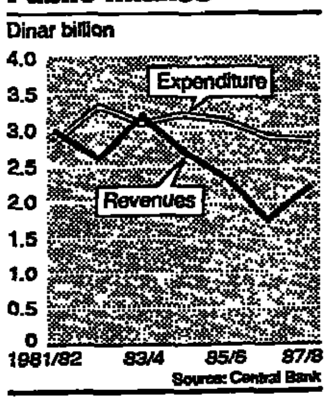
After recently improved oil prices and the Gulf War ceasefire in August last year the business sector hoped for a boom based on reconstruction in Iraq and on the use of Kuwait and its ports as an entrepôt for non-oil trade, but the upturn has not yet materialised. Around the time of the ceasefire there was a flurry of activity on the Kuwait Stock Exchange and feverish speculation in Iraqi currency, but both were short-lived.

With some Iraqi commercial debt still outstanding from before the war, little credit is available for supplies to Iraq. There have been suggestions that the Government would help fund Iraqi reconstruction carried out by Kuwaiti enterprises, but six months after the ceasefire some merchants are said to have been left holding costly stocks of vehicles and building materials.

Many businessmen, economists and consultants are in sombre mood, for without the opportunities abroad there seems little scope for private sector expansion at home. Part of the problem, they say, lies in the limits imposed by a small population, and the even smaller number of people who display the capacity for hard work which characterises the populations of, for example, South East Asia.

Recent estimates put Kuwait's total population at some 1.9m. Of these, some 800,000 are Kuwaiti nationals and only 144,000 actually work, and 95 per cent of them choose to work in the public sector under a law passed in the early 1960s which entitles every Kuwaiti citizen to a job in the government.

Public finance



Source: Central Bank

Nine out of 10 of those working in the private sector are foreigners, other Arab nationals and Asians for the most part, who do not own companies and therefore cannot dictate policies. Kuwaiti nationals in the private sector number only some 8,000.

"You cannot create self-sustaining growth in such a tiny state," notes economist Mr Jasem al-Sadoun. "You can do it short-term with surplus oil revenues but not long-term."

Long-term opportunities, some observers think, can only come with the creation of a wider market within which Kuwait's private sector can become self-sustaining. Thoughts turn to the six-state Gulf Co-operation Council, consisting of Kuwait, Bahrain, Oman, Qatar, Saudi Arabia and the UAE. But so far the GCC, for all the talk, is essentially a mutual security club for its members rather than a free trade area.

Other observers, however, resent the notion that Kuwait cannot of itself become a self-sustaining commercial and financial entity, insisting the Government has only to provide the incentives and improve the quality of planning and administration.

One does not have to go far to find indications of the private sector's difficulties. Office rents in central Kuwait are already low compared with the rentals expected when buildings were commissioned. In one seven-storey building the rent expected was KD 12 per square metre. Space went for KD 8 when the building was finished in 1983; the going rate is now KD 4.5, and demand is still slack.

Average hotel occupancy rates in Kuwait's six five-star hotels, a reliable barometer of business activity, were only 42 per cent last year; the break-even point is put at 55 per cent.

The outlook is not entirely bleak for contractors. Construction activity continues despite empty office space in the centre of the capital. And with the population rising fast, the Government is planning to build a new town for 100,000 at Subiya in the north. A project is being mooted to build a $1bn causeway across the Bay of Kuwait to link the town to Kuwait City, and contracts are to be awarded this year for the 2,400MW Subiya power station.

Taken as a whole, the Kuwaiti economy has continued to recover from the recession of the mid-1980s, largely because of higher oil prices. The National Bank of Kuwait estimates that overall gross domestic product growth in 1988 could be about 3.5 per cent, compared with 5.3 per cent in 1987 and a decline of 15.6 per cent in 1986.

Higher oil revenue also helped to halve the projected 1987-88 budget deficit to an actual figure of KD 779m, but the persistent annual shortfall remains a nagging concern for the Government. The official forecast for the 1988-89 deficit is KD 1.3bn. For its citizens, Kuwait is one of the world's most generous and tax-free welfare societies, but even here can be heard the first mutterings of the word "austerity".

It may be a drop in the ocean as far as total Government revenue is concerned – 85 per cent of revenue comes from hydrocarbons – but from April the authorities plan to charge a KD 2 airport tax. Still anxious not to talk about new taxes, like US President George Bush, the Government is certainly thinking about "user fees" for public services.

"We have to face reality," says Sheikh Salem Abdul-Aziz al-Sabah, governor of the Central Bank of Kuwait. "We don't have to reach a balanced budget in a very short time, but we do have to start improving the deficit, by playing both sides – expenditure and revenue. We want to reduce the burden on the General Reserve which comes from the budget deficit. The General Reserve is financing the deficit," he says.

In some ways the problem is more severe than it appears, partly because of the effect of "off budget" items of expenditure, including the KD 1.5bn set aside for arms purchases, and partly because of the illiquid state of much of the General Reserve. Theoretically distinct from the much bigger Reserve Fund for Future Generations (RFFG), the General Reserve of perhaps $30bn includes lending to Iraq and other loans which are unlikely to be repaid.

In other ways the budgetary situation is much better than it seems: the annual outlay of 10 per cent of revenues for the RFFG is included in the budget spending figures, but investment income is not included in the receipts.

To ease the pressure on reserves Kuwait has started to borrow on the local dinar market through treasury bills and bonds, up to a limit of KD 1.4bn, a ceiling expected to be doubled shortly. The issue of these debt instruments, in which Kuwait has led the way among the Gulf states, gives the central bank the flexibility it needs to fine-tune fiscal and monetary policy.

In the meantime Kuwait has again temporarily stopped foreign borrowers from marketing new KD bonds, and the last such transactions took place in 1987, when Finland and the World Bank both tapped the Kuwaiti market. "If we maintain the deficits, I rather prefer that the KDs be directed to finance the government deficit," says Sheikh Salem.

The central bank had to act swiftly at the end of last year to stem a flight of Kuwaiti capital into foreign currency deposits which were offering much more favourable rates of interest than those at home. The discount rate was raised to 7.5 per cent from 5 per cent, and the measure appears to be having the desired effect.

As Kuwait approaches the 1990s, it is not the thriving regional financial centre that it would like to be. But it does seem finally to be overcoming the chastening effects of the Souk al-Manakh crash. A firm oil market and a consolidation of the Gulf War ceasefire would quickly turn the present caution of the business community into outright optimism.

Victor Mallet and Robin Allen

Robin Allen on a troubled banking sector

Costly operation that has left deep scars

WITH THE notable exception of National Bank of Kuwait, an institution of high international repute and in a league of its own in Kuwait, the performance of the country's commercial and investment banks is still overshadowed by the so-called Difficult Credit Facilities Settlement Programme.

The Programme, initiated in August 1986, is a euphemism for the bailing out of most of the private sector by rescheduling net outstanding debts of some KD 5bn.

These refer to the 1982 fiasco of the Souk al-Manakh, a multi-storey carpark which housed the casino known as the unofficial stock exchange. The exchange collapsed from wild speculation on a system of illegal, but officially tolerated, "evergreen" post-dated cheques, leaving behind total gross indebtedness of some KD 26bn.

Despite official assertions to the contrary, the Manakh disaster continues to plague the commercial banking system and the entire private sector.

The Settlements Programme was simply the lowest common denominator whereby players could be held in some measure responsible for their own indebtedness, thereby salvaging some of Kuwait's reputation in the international community with a solution that caused minimum social and economic dislocation at home.

Under the programme, commercial banks, the central bank and individual debtors are all called on to make sacrifices. The country's commercial banks – except NBK – are on a life-support system courtesy of the State of Kuwait. The central bank has guaranteed the net worth – assets minus liabilities – as well as the deposits of all the country's commercial and investment banks.

Since 1986 the central bank has pumped more than KD 600m in low-interest and interest-free deposits to banks unable to meet the stringent loan-loss provisions. In return banks have to meet central bank requirements over rescheduling their debts, and obey another, unwritten, rule that they should make a reasonable return on shareholders' funds.

Financial statements, including levels of profits and dividends, are prepared "in accordance with the instructions of the Central Bank of Kuwait."

This phraseology is now a standard part of the footnotes in auditors' reports. Any shortfall between the specific provisions for bad debts made by a bank and those required by the central bank are covered out of future years' earnings.

According to the central bank governor, Sheikh Salem Abdul-Aziz al-Sabah, who is widely credited with having authored the programme, there were 2,405 debtors at the beginning of this year claiming to have repayment difficulties, but only 1,235, with debts of KD 2.08 billion, whose difficulties were considered genuine.

By the beginning of this month, 1,222 had made rescheduling arrangements satisfactory to the central bank, and only 13 were said to be "not co-operating." These were being taken to court.

Within the rarefied atmosphere of the central bank, the country's commercial banking system can continue its slow recovery, with banks' financial statements carrying all the conviction of medical bulletins from doctors hoping for the best for their patients. Apart from NBK, which has never been in "hospital", one other bank is reportedly about to be discharged.

But the debt figure of more than KD 2bn still represents nearly half of the commercial bank loans to the private sector.

Of the other half, a large proportion is on the books of NBK, which is widely reckoned to have an unusually clean balance sheet. The other five commercial banks are Alahli Bank, Bank of Kuwait and the Middle East, Burgan, Commercial Bank of Kuwait, and Gulf Bank.

Sheikh Salem points out with some justice that it is not the scale of indebtedness that matters so much as the fact that it is fully covered. "Whenever a loan is classified for more than one year, there has to be 100 per cent provision," he said last month.

According to NBK's year-end bulletin of all the country's banks, aggregate activity showed steady growth in 1988 with total assets increasing 6.4 per cent by the end of June.

However, a good part of the increase in assets came from banks' holdings of public debt instruments and an increase in their foreign assets. According to the central bank the latter had increased to KD 2.55bn by September from KD 2.4bn in January 1988, while the former had already grown to KD 2.85bn from KD 2.5bn the previous January.

Sheikh Salem *Tony Andrews*

By June the Government had borrowed KD 1.394bn to cover the budget deficit. Some KD 770m was in the form of 91-day Treasury bills and the balance in 1-7 year Treasury bonds. The 1988-89 deficit, according to Sheikh Salem, will be met in similar fashion.

The issuing of T-bills and bonds was widely welcomed by the commercial banks. It injected a measure of extra liquidity into the system – although NBK was already very liquid – and provided commercial banks with a secondary market in debt paper at the same time as it gave the central bank a greater hold on monetary stability.

In December the central bank again had to intervene, this time to stop the outflow of private capital. It increased to 7.5 per cent the rate for discounting commercial bank trade bills. Previously the discount rate had not been used to control liquidity; now it was being linked with the interest rate structure as a whole so that the rates at which banks lend is tied in to the discount rate.

NBK alone gives the impression of fulfilling all the three criteria by which a bank's performance can be assessed: strength of capital and reserves, particularly inner reserves; quality management which is allowed to get on with its job by a hands-off board and shareholders; and the implementation of a coherent and successful strategy to build solid overseas operations on behalf of its essentially Kuwaiti and regional Arab customers.

Within the confines of the Government's support system, other banks have either recorded or are expected to report increased profits for 1988.

The "three Ks" – Kuwait Investment Company, Kuwait International Investment Company, and Kuwait Foreign Trading Contracting and Investment Company – have largely disappeared from the limelight since the heady days of underwriting new issues when the Finance Ministry could be relied on to take many of the issues, and when the KD bond market looked as though it might develop into a significant alternative for western and other governments which wanted to diversify their sources of borrowing. Directly or indirectly the three Ks are overwhelmingly owned by the Government.

STOCK MARKET

Moribund index

"THE STOCK market is being destroyed," cried a headline in the leader column of the local English-language daily Arab Times in January. The article, signed by Mr Ahmed al-Jarallah, the paper's editor-in-chief, talked of an unnamed few manipulating the market where, he said, "the value of shares is good but this does not mean there is any trading."

Not many would agree – at least not with the first part of the statement. The market has barely moved 1 per cent overall in the past year, and is almost moribund. But if the present scenario continued, in Mr al-Jarallah's opinion, "the treasury will have to pay."

Mr al-Jarallah is not alone in his criticisms. "The stock market does not reflect business activity," commented Mr Jasem al-Sadoun, a respected economist in Kuwait.

Indeed the stock market, housed in a Pantheon of black marble in Kuwait's central business district, reflects the extent of the private sector's dependence on Government support for its survival. The Government, through the Kuwait Investment Authority, owns more than 50 per cent of all the shares. Seventy per cent of all daily trading is in six bank stocks – out of a total of 42 quoted companies. Only one of these banks, National Bank of Kuwait, stands on its own feet, a symbol of what the rest of the Kuwait private sector only hopes to achieve.

"Real profitability, rather than simply the moving of assets, is non-existent in the Kuwaiti private sector," said one local consultant dismissively. He and others like him had warned against over-optimism as the stock market flared up briefly in the wake of the Iranian acceptance of a ceasefire in the Gulf War. And as though to underline their point, the surge had fizzled out within a week.

As a barometer of economic health, let alone as a source of new money, the stock market is at best of marginal value. But it carries on, and indeed the day may well come when the Government can get out of the market – as it would like to – without causing the edifice to collapse.

"The KIA has assured the stock exchange they will not dump shares but will sell according to a specific programme," Mr Hisham al-Oteibi, the exchange's director-general, said earlier this month.

To be listed, Kuwaiti or Gulf companies need to produce audited figures going back at least three years and to have shown net profits of at least 3-5 per cent in each of those years. Two offshore Kuwaiti financial institutions, one of which it is suggested may be London-based United Bank of Kuwait, could be listed this year.

A new parallel market, where companies have to show net profits of only 2-3 per cent for each of the preceding three years, may also be established soon, according to Mr al-Oteibi. This parallel market would replace the previous one, abolished last December, which catered for the rump of Gulf shares from the now discredited Souk al-Manakh.

Robin Allen

Victor Mallet on a bullish investment policy

A victim of success

ONE BATTLE is over, for the time being at least. At the end of January shareholders in British Petroleum approved a management plan to buy back £2.4bn worth of BP shares from the Kuwait Investment Office (KIO), thus halving Kuwait's stake in Britain's biggest company and ending a period of somewhat strained relations between the two countries.

But the much larger question of how Kuwait intends to behave in the future as an international investor with enormous resources remains unanswered.

Sheikh Ali Khalifa al-Sabah, the Oil Minister and the man widely believed to be behind the KIO decision to lift its BP stake as high as 21.7 per cent, is unrepentant. He and other Kuwaitis were outraged by the British order last year that the KIO should cut its holding to 9.9 per cent, but pleased that the KIO was seen to have made a profit of some £380m on the final deal.

Kuwaiti officials point out that the KIO was operating within the law and according to free market principles. It mopped up BP shares after the British Government decided to privatise its remaining 31.5 per cent BP stake despite the stock market crash of October 1987.

Sheikh Ali appears to support the relatively aggressive stance recently taken by the KIO in Britain and Spain, insisting that unwritten rules are no rules at all and that Kuwait should be able to act like any other investor.

"The only rules we know are the rules that are published and passed by the appropriate authorities," he says. "BP is a special situation because of the flotation, and if a chance of a repetition occurs we will do it, unless there is specifically a law to prevent us from doing it."

Sheikh Ali's critics abroad and in Kuwait, however, believe that such a direct approach may bring short-term investment gains only at the expense of Kuwait's long-term interests.

In some ways Kuwait is the victim of its own success. Instead of spending all its excess oil revenues on white elephant industrialisation projects in the desert, it put them aside as reserves, investing across the globe from Japan and Singapore to the US, Canada and Europe.

The value of these investments — varying according to the state of the world's equity and other markets — is estimated at more than $100bn. Roughly two-thirds of it belongs to the Reserve Fund for Future Generations (the RFFG, which is not supposed to be used until 2001 or beyond), and the rest makes up the General Reserve (much of it in illiquid assets, including loans to Iraq).

The London-based KIO has its origins in the Kuwait Investment Board of the 1950s, and is thought to manage most of the RFFG.

The Kuwait Investment Authority (KIA) is based in

After the controversy over its BP stake, the question of how Kuwait intends to behave in the future as an international investor with enormous resources remains unanswered

Kuwait City and is said to manage much of the General Reserve, although its functions overlap with those of the KIO. It was set up only in the 1980s, in an apparently vain attempt to exert some central control over the KIO. Officially, the KIO is now no more than an arm of the KIA.

Kuwait's policies have paid off handsomely in a period of low oil prices, providing the country with a measure of financial stability which must be envied by other mono-commodity exporters. In 1986, and probably again last year, investment income overtook oil as a source of foreign earnings.

But the funds available to the KIO are now so large that it is becoming increasingly difficult for the organisation to act without making waves or arousing anti-Arab sentiment in the countries where it operates.

Spain has been a recent target. Acting largely through Torras Hostench, a paper company, the KIO has acquired a portfolio worth well over $1bn over the past five years. Sheikh Ali says the KIO has received the support of Spanish Government officials, although he accepts that KIO activities in a limited market such as Spain are bound to lead to a certain amount of stepping on Spanish toes.

Outside Kuwait there is inevitably resentment of Kuwait's financial muscle and of the KIO's tax-free status in London as a sovereign body. There is also suspicion — however much Kuwait insists that its only concern is financial gain — about the motives of the state investment bodies of an OPEC member, especially when they are buying oil-related assets such as BP. The KIO and the KIA are secretive, and the dividing line between various Kuwaiti Government reserves and sources of income is hazy. Sheikh Ali is Chairman of the Kuwait Petroleum Corporation, as well as a member of the KIA board.

Not all Kuwaitis share his views on investment policy. Mr Jasem al-Kharafi, the Finance Minister, believes that the KIO should not be investing in oil — which Kuwait has in abundance — but diversifying the country's holdings into other assets.

Amid growing anxiety about the KIO's unfettered stock market forays, a three-man committee was put to work last year to define the rules of engagement for the KIO and the KIA, although Sheikh Ali says the KIO "still has a lot of independence".

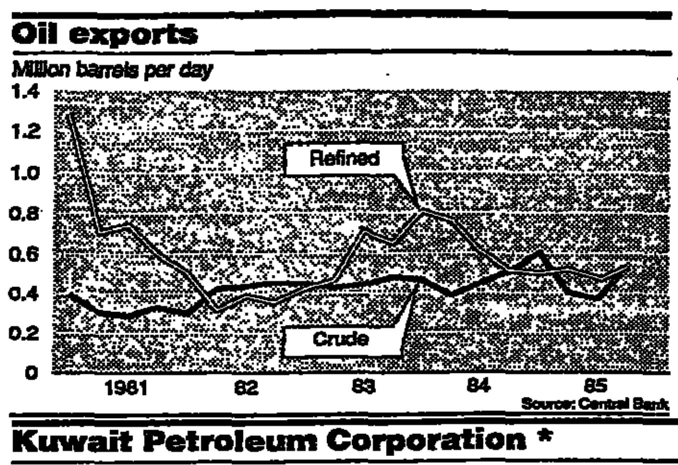
Above all the fear is that the high profile recently taken by the KIO will restrict its freedom of action in the future. Mr Jasem al-Sadoun, a leading economist, calculates in any case that the entire BP deal constituted a book loss for the KIO at the end of last year, largely because of the low price of the shares making up the 9.9 per cent retained by Kuwait.

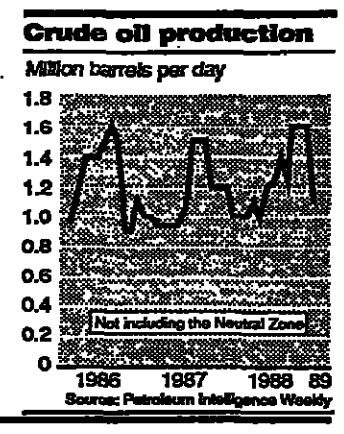
He is particularly concerned about political damage. "We should be very cautious because our investment everywhere could be under a certain risk," he says. "Since Britain acted against Kuwait, the same could be done anywhere else."

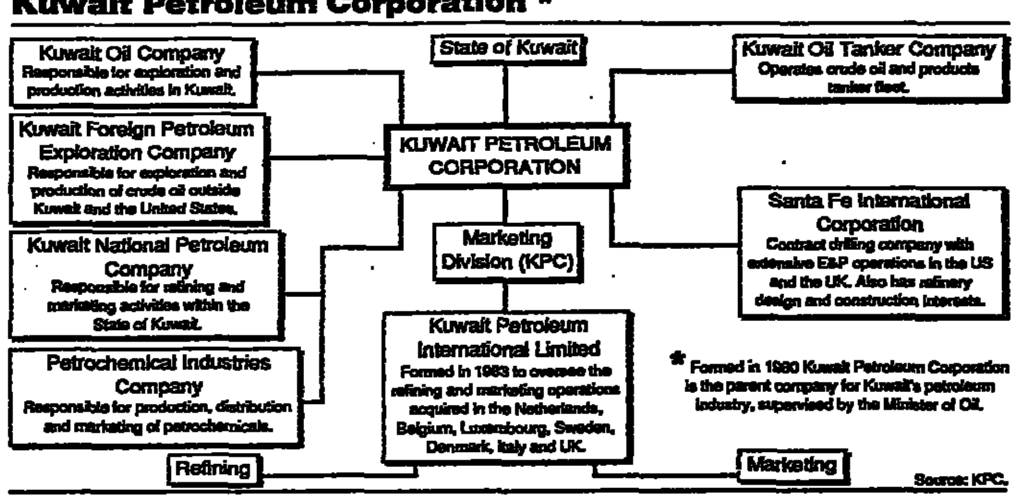
At one point in the BP saga, when it seemed that Britain would force Kuwait to sell off its shares within a year at a substantial loss, Sheikh Ali's political position in Kuwait was regarded as vulnerable. Now there is a feeling that he won a difficult contest of nerves. It is unlikely to be his or Kuwait's last investment battle.

OIL

Q8 looks to the Far East







KUWAIT, with its 94bn barrels of crude oil making up the world's third largest reserves, has adopted an aggressive strategy to manage and market its production. The state-owned Kuwait Petroleum Corporation (KPC) has steadily increased its output of refined products and made inroads into downstream international marketing.

Kuwait's production quota within the Organisation of Petroleum Exporting Countries (OPEC) is just over 1m barrels per day (b/d), of which about 650,000 b/d can be exported from Kuwait's three modernised refineries as value-added refined product. A further two refineries in Europe, one in Denmark and one in the Netherlands, add another 130,000 b/d.

KPC is planning to double its own downstream sales from the current level of 250,000 b/d. KPC officials are looking for new outlets outside Europe, where the Q8 (pronounced Kuwait) brand of petrol stations has become familiar. They have said they are looking towards the Far East markets and eventually the US.

But despite widespread admiration of KPC's independent downstream expansion — it has eschewed joint ventures — there are doubters in Kuwait who feel that KPC has bought less than glittering downstream retail assets while western oil companies move into more profitable sectors such as chemicals.

Sheikh Ali Khalifa al-Sabah, the Oil Minister and chairman of KPC, rejects such criticisms and denies that Kuwait has been taken for a ride. "We haven't paid very much for our downstream assets," he says. "We have taken operations that we think are economic and have proven them to be financially successful."

"We will try to consolidate, strengthening ourselves in markets where we are weak or even going out of markets where there is no chance of building up to a sufficient share," he says. "One way or another we will be going to the Far East. It's more difficult to break into that market but we will do it. If we consolidate in Europe and establish ourselves in the Far East we might even consider the US — but that is a bit too far ahead."

The downstream network is seen in Kuwait as particularly important for strategic purposes, because it makes the country less vulnerable to crude oil price volatility and to the whims of customers. The idea, says Sheikh Ali, is to avoid dependence on any buyer of crude. "If the worst comes to the worst we put it through our system."

One dilemma facing KPC is the possible conflict of interest between future downstream expansion and adherence to the Opec quota, although KPC can and does routinely use non-Kuwaiti crude in the European network run by its subsidiary Kuwait Petroleum International.

On the upstream exploration side, KPC became embroiled in controversy over its purchase in 1981 of Santa Fe International Corp, the US-based contract drilling, oil exploration and process engineering company. The price tag, at $2.5bn, was considered by many observers to be much too high, and there are those who question whether KPC, which also explores and produces outside Kuwait through the Kuwait Foreign Petroleum Exploration Company, needs to find any more oil in the North Sea, Egypt or China.

"To engage all those funds in not-so-promising areas for the purpose of exploration of crudes that would compete with our crudes and other Opec crudes when we have the third largest reserves in the world makes no sense," says one prominent Kuwaiti critic of KPC's upstream operations.

Kuwait was one of the founding members of Opec in 1960 and has been closely involved in the organisation ever since. Kuwait was once one of the oil price "hawks", although in recent years Sheikh Ali has been one of the leading proponents of price moderation based on quotas which are not over-stringent but which should be properly obeyed.

In April 1988, when the idea of a reduction in production once more gained momentum, Sheikh Ali requested a definition of production and of condensates.

"We have to agree on what we are cutting," Sheikh Ali said in Vienna, warning that "the applecart is collapsing under its weight of contradictions."

By announcing to the world that there are plenty of oil supplies — but that demand is improving and Opec is producing much closer to capacity than generally believed — Sheikh Ali is aiming for firm but not soaring prices. He says Opec production is not far off the agreed level of 18.5m b/d, and he expects prices to stabilise in the coming months around the proposed Opec level of $18 a barrel.

It was in the 1930s that the then Kuwaiti ruler, Sheikh Ahmad al-Jaber, signed an agreement that gave the two old competitors and new partners in the Kuwait Oil Company — the Anglo-Persian Oil Company (later British Petroleum) and Gulf Oil Corporation — exclusive exploration and production rights of oil in Kuwaiti territory for 75 years. The first shipment of exported oil left Kuwait in 1946.

In 1975 KOC was nationalised, and five years later KPC was founded to consolidate all oil and hydrocarbon industry activities under one roof.

At current rates of production, the oil which has transformed Kuwait into a modern state with international financial muscle will last for more than two centuries.

Hafiaa Khalafallah and Victor Mallet

Cautious industrial expansion

KUWAIT IS going ahead with a project worth about $140m to build a polypropylene plant in the Shuaiba industrial zone, using propylene gas from the refinery at Mina al-Ahmadi. Polypropylene is used for woven sacks and a range of other products from plastic crates to ball-point pens.

So far Kuwait, with understandable caution, has resisted the temptation to spend its oil revenues on massive industrial projects at home, preferring the higher rates of return available from investments abroad.

Petrochemical Industries Company, a subsidiary of the state-owned Kuwait Petroleum Corporation, has hitherto concentrated on fertiliser production, both in Kuwait and through joint ventures in Bahrain, Tunisia, Turkey and China. PIC is also responsible for salt and chlorine plants.

With the fertiliser market depressed and gas sometimes in short supply in the past — a pipeline from Iraq was completed in 1986 — the fertiliser operation in Kuwait has been running well below capacity, according to KPC officials. Latest PIC figures for the 1987 financial year show an accumulated loss of KD 41m, more than double the figure the previous year.

But Sheikh Ali Khalifa al-Sabah, the Oil Minister and chairman of KPC, says that PIC is profitable now after a period of expensive restructuring and difficulties caused by the Gulf War, which was suspended by last year's ceasefire.

"Now there is no problem," he says. "Over the last couple of years, we have spent a lot of sweat and blood on KPC subsidiaries making them turn around."

Victor Mallet

Victor Mallet on the worrying imbalance in the labour market

Foreigners feel the pinch

FOR YEARS the Gulf states have talked of reducing their dependence on immigrant workers – the millions of Arabs, Asians and westerners who have helped to establish and run the region's modern industries and services in exchange for a share of the oil wealth.

In Kuwait, the process known as the "Kuwaitisation" of the workforce appears finally to be gathering steam, encouraged by the completion of many infrastructure projects and the first signs of an unemployment problem among Kuwaiti graduates.

It can only be a slow process. At present 60 per cent of Kuwait's population of just under 2m are foreigners, and the non-Kuwaitis make up no less than 83 per cent of the total workforce. In some sectors, such as construction and manufacturing, virtually all workers are foreign.

Immigrant manual labourers and domestic servants, many of them from Asia, will probably always be in demand. Few of Kuwait's wealthy citizens favour such jobs. But foreigners with skills shared by up and coming young Kuwaitis are beginning to feel the pinch. Officially all Kuwaitis are entitled to work.

Foremost among the victims are the 300,000 or so Palestinians, the second largest community in the country after the Kuwaitis themselves.

Driven from their homeland after 1948, many have spent their lives in Kuwait, working in government and in the private sector as doctors, diplomats, economists and professors. With the exception of a handful who have been granted Kuwaiti citizenship, they must often leave the country unwillingly within weeks of retiring. Some manage to obtain US or Canadian passports. Others go to Jordan.

"In the old days they didn't mind if a Palestinian over 60 carried on working. There was lots of money then. But now they are applying the rules very strictly to non-Kuwaitis," says one leading Palestinian. "It has created a lot of resentment."

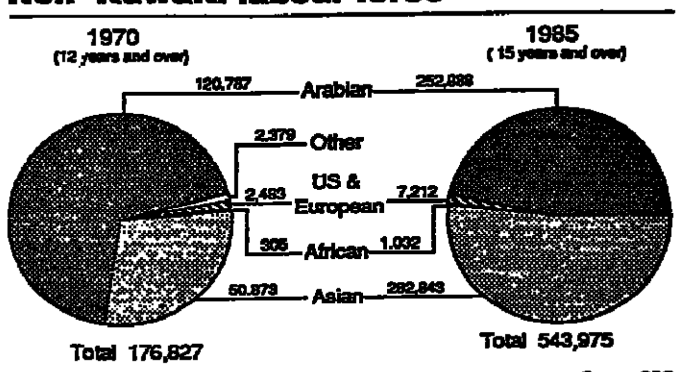
Along with their Lebanese and Egyptian colleagues, Palestinians would welcome residency rights for non-Kuwaiti Arabs who have lived in the country for a long time, although they know that there is little prospect of the Government accepting such an idea. They resent it when a skilled and experienced Palestinian is overlooked for a job in favour of a Kuwaiti fresh out of university. They dislike it when a Kuwaiti is paid three times as much as a foreigner for doing the same work.

Kuwait has nevertheless been a comfortable haven for the Palestinians and strong supporter of the Palestine Liberation Organisation (Palestinians in Kuwait pay a levy on their wages to the PLO), and some long-term residents seem to be more sad than bitter about their plight. They know the rules. Foreigners cannot stay without work. They are not allowed to own property – which means high rental payments – or a majority share in a business.

The rules, meanwhile, are becoming stricter, as the Kuwaiti authorities pursue their goal of having Kuwaitis in the majority by 2000. New regulations prevent foreigners in the private sector from taking second jobs, discourage attempts to switch from one job to another, and stipulate that those absent from the country for more than six months can lose their right to stay. Yet for many Palestinians Kuwait is a home both more prosperous and politically more liberal than alternatives such as Jordan, Iraq and Syria.

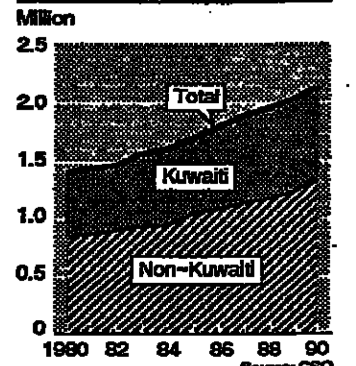
The gradual departure of skilled Arabs has increased the proportion of Asians in the population, and they now make up more than half the foreign labour force. Each Friday hundreds of immigrants from the Indian sub-continent gather to socialise in a park near the Catholic cathedral in Kuwait City.

Non~Kuwaiti labour force



Source: CSO

Population



Source: CSO

Like other poor immigrant communities in the Gulf and other parts of the world they have grievances, but no political influence and plenty of economic reasons for not making trouble.

Domestic servants have sometimes been sexually assaulted. Construction workers have occasionally gone on strike, accusing their employers of failing to pay them. The system of employer sponsorship which grants people entry to Kuwait makes them virtually the equivalent of indentured labourers. In one recent court case a maid was sentenced to six months in jail with hard labour, followed by deportation; she was said to have made a false allegation of sexual assault against her employer in order to take up a job in another household.

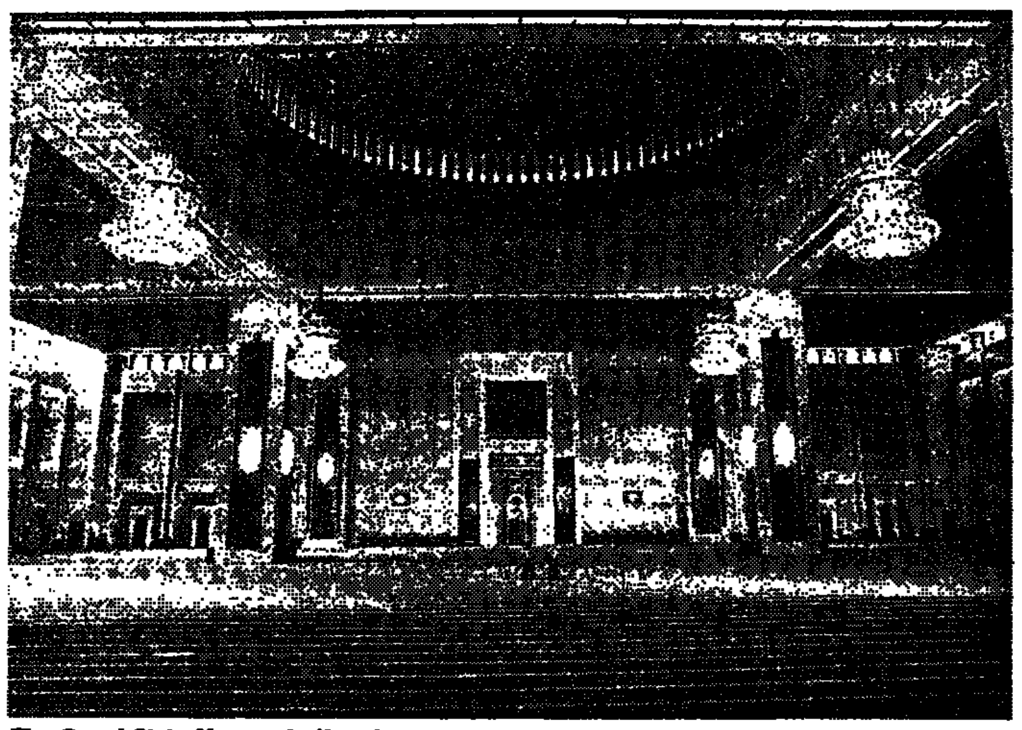
The Government has cracked down on illegal Asian immigrants as part of its efforts to cut the foreign labour force. "When the work is over, this labour has to emigrate," says one Government minister bluntly, expressing surprise at the influence of immigrant communities in Britain. "This is a situation which could happen here in Kuwait, and which we want to avoid."

"Kuwaitisation" is particularly advanced in the civil service and the public sector, where nine out of 10 Kuwaitis work. In the private sector employers are urged to take on nationals, but often prefer a cheaper, more skilled foreigner who is not liable to military service. "Kuwaitisation and profits don't go," says one businessman.

However determined the Government, foreign workers will remain essential to the Kuwaiti economy for many years to come, both as labourers and as skilled administrators and professionals.


Tony Andrews

Asians make up more than half of Kuwait's foreign labour force


The Grand State Mosque in Kuwait

Tony Andrews

Political participation

Armchair democracy

IT IS Sunday night and the ebullient Sheikh Salem al-Sabah al-Salem al-Sabah, Interior Minister and member of Kuwait's ruling family, is welcoming new arrivals to his weekly *diwaniya*.

Some of the guests wear formal gold-braided cloaks over their *dishdashas*. Some of them advance to Sheikh Salem under the mosaic portrait of his grandfather and kiss him on the cheek or the forehead or the bridge of his nose when he rises to greet them. All of them are men, and all take a seat appropriate to their seniority on the sofas lining the walls of the hall.

The huge room, otherwise bare of any furniture but the inlaid wooden tables around the edge and the chandelier of coloured glass, is buzzing with conversation. Among those present are the Saudi Arabian ambassador (he whispers in the ear of the Minister), the head of the Kuwait Investment Office in London, the Chief of Staff of the armed forces, the new commander of US forces in the Middle East, and an array of professors, businessmen, politicians, journalists and government officials. This is a popular diwaniya.

People come and go throughout the evening, calling greetings to the Sheikh across the room. One man brings a written petition in a sealed envelope, while the leader of a group of farmers complains aloud to Sheikh Salem about a plague of locusts and the recent frost. The Sheikh responds that God and not the government is responsible for such events, and he jovially urges the farmers not to use the problems as a pretext for raising food prices. He fences verbally with each interlocutor, testing his mood and measuring his political will.

Elsewhere a dozen quiet conversations continue, covering everything from sport to nuclear disarmament. Visitors fiddle with their strings of beads as they talk, and servants circulate with small cups of bitter Bedouin coffee.

The *diwaniya* – a word which describes both the discussion group and the building which houses it – is a dominant feature of male life in Kuwait and an important social and political phenomenon which has no parallel in the West. Originally the word referred to the men's quarters in a Bedouin tent, and it is linked, for obvious reasons, to the English "divan".

Many Kuwaiti houses have a *diwaniya* outbuilding attached. The meeting itself takes on a wide variety of forms and sizes. It might be a small gathering of friends who drink tea and play cards, a literary evening, a lecture, or a more formal occasion at which a minister makes himself available to his peers.

Since Sheikh Jaber al-Ahmad al-Sabah, the Emir, dissolved the National Assembly in 1986, the *diwaniyas* have become a particularly important channel for political grievances in Kuwait, which is one of the Gulf's most sophisticated and politically active societies.

But the system has its limitations as a political institution. In some ways the *diwaniyas* are gentlemen's clubs, although many are theoretically open to all. Kuwaitis tend to go to the *diwaniyas* of people they like or respect, thus reinforcing rather than challenging each others' opinions.

At least the *diwaniyas* allow the ruling family to test the political temperature and to experiment with new ideas. Sheikh Salem says he might raise a particular issue one Sunday, let people mull it over, and then bring the subject up again a week later to "get a feedback".

Among the subjects vigorously debated at *diwaniyas* this year are the calls from former members of parliament for the reconvening of the National Assembly.

"Maybe my *diwaniya* has a little bit of formality, but others I go to are smaller, say, 10 to 15 people," says Sheikh Salem. He visits perhaps 20 diwaniyas a month, but during the holy month of Ramadan the number rises to 100, with about 20 minutes spent at each gathering. It is said that Sheikh Saad al-Abdullah al-Salem al-Sabah, the Crown Prince and Prime Minister, goes to as many as 300 during Ramadan and returns home only in the early hours of the morning.

As for Sheikh Salem's own *diwaniya*, any man is free to enter, even if he might hesitate to do so. There is no visible sign of security, only an open gate. "It is an indication that the doors of the al-Sabah family, and of the ministers, are open to all," says Sheikh Salem.

Victor Mallet

Foreign Aid

Leading Third World donor

KUWAIT has always been one of the world's most generous donors of aid as a proportion of its gross national product, and at times the most generous of all. During the oil boom in the late 1970s its total foreign aid reached levels of more than eight per cent of GNP.

The boom years are over now and Kuwaiti aid has declined sharply to around \$300m, but that still represents nearly two per cent of GNP, or more than double the level recommended by the UN.

Most of the aid is distributed through the Kuwait Fund for Arab Economic Development (KFAED), but there are also contributions in the form of grants and loans from the Government and assistance in kind in shipments of crude oil.

Aid to other countries, in the past at least, has been a particularly important foreign policy tool for a small state anxious to maintain its neutrality and independence in a turbulent region. Just after full independence from Britain in 1961 Kuwait was faced with Iraqi claims to its territory, and it was in that year that KFAED was formed.

But Mr Abdul Wahab al-Bader, KFAED's deputy director in charge of operations, says that Kuwaiti aid is much less political than that of some other major donors, which give most of their assistance to a handful of strategic allies or to their former colonies.

"It's not really a political institution," he says of KFAED. "I'm working in China, I'm working in Vietnam, I'm working with the countries that I really feel are in need. Since the Fund's establishment the idea was to help other countries. Kuwait is a developing country too. We were not in an easy situation before the oil, and then we were blessed.

"I don't think there is a great political motivation. Of course the political element of it is to be friends with everybody. If that's politics then I love it."

KFAED's aims have changed since its foundation. As its name suggests, it was originally devoted to helping the Arab world, but in 1974 the scope of its activities was extended to the rest of the developing world. The focus is still on Moslem countries, whether African, Asian or Arab.

In the 1987-1988 financial year, Arab countries received 45.7 per cent of the loan commitments, with African countries taking 28.6 per cent, Asia 16.7 per cent, and others nine per cent.

Among other donors, KFAED appears to be respected as a quiet, efficient organisation which inspects its projects carefully and makes sure the money is well spent. Its institutional structure protects Kuwaiti aid from the taint of personal favouritism or corruption.

For the past three years, KFAED has received no allocation from the Kuwaiti budget, relying instead on money generated by its own reserves. A quarter of the spare funds are invested directly in Kuwait, and the rest placed with outside managers in Kuwait or London.

"Our financial position as a whole is very good," says Mr al-Bader. "We have amounts we are investing which generates very good income in addition to the interest on previous loans. It reached the point last year where reserves almost equalled the paid-up capital.

"The Government changed the laws to allow us to increase our capital from our reserves. We assess yearly net income, then take 50 per cent into the capital and 50 per cent into the reserves. We will be able to generate as much as we commit."

Paid-up capital is now KD 1.4bn (up from KD 970m) and reserves are KD 464m, with annual commitments running at about KD 80m.

KFAED aid is concentrated on economic development — agriculture, infrastructure, industries and telecommunications — rather than on social projects in education or health. The latest annual breakdown of the figures shows transport and communications taking 35 per cent of the loans, followed by water and sewage with 21.6 per cent, industry with 17.6 per cent, agriculture with 17.4 per cent and electricity with 8.4 per cent.

The projects backed by KFAED — which takes on a maximum of half the financing of any one project — include the development of pharmaceutical production in Egypt, rural water supply in Mauritania, natural gas in Oman, and a road in Papua New Guinea.

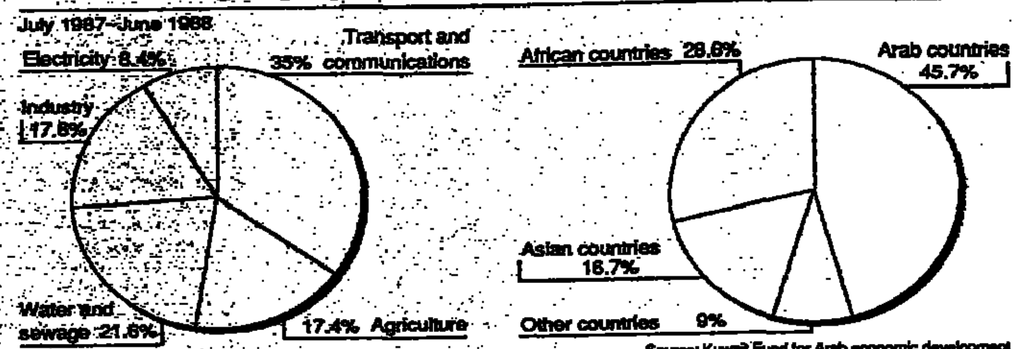
Loans are on concessional terms, usually with a grant element of between 25 and 70 per cent, repayment periods of up to 35 years, and grace periods of up to 10 years. KFAED also gives a small amount of grant aid to the poorer countries, usually for preliminary studies.

Ask why Kuwait needs to help the relatively wealthy Gulf states such as Oman and Bahrain, Mr al-Bader replies that per capita income is not always an appropriate statistic by which to judge a country's needs.

Bahrain needed considerable infrastructural development and Oman has a small population in relation to its size. As for repayments, most countries service KFAED loans, although there have been problems with Sudan.

Victor Mallet

Sector and geographical breakdown of Fund loans



Source: Kuwait Fund for Arab economic development

ISLAMIC ART

Guardian of rich treasures

Tony Andrews

The entrance to the Kuwait National Museum

KUWAIT is a small, modern city state where the drinking of alcohol is officially prohibited. If you are a visitor at a loose end there is little to do with your spare time unless you fancy a drive into the desert, or a trip to Entertainment City, the funfair and children's theme park on the outskirts of town. Single men are not allowed to enter.

All is not lost. Since 1983 Kuwait City has been blessed with one of the world's most impressive public displays of Islamic art, the al-Sabah collection housed in the Kuwait National Museum.

Inspired by his wife Sheikha Hussa and by school-time memories of Moslem shrines in Jerusalem, Sheikh Nasser Sabah al-Ahmad al-Sabah, a member of the ruling family, began a private collection of Islamic art in 1975. In an astonishingly short time he has amassed some 20,000 objects, ranging from carpets and decorated manuscripts to candlesticks, coins and astrolabes.

Subsequently he decided to make a permanent loan of the collection to the National Museum, where about 1,000 of the items can be seen at any one time.

"Yesterday these objects were scattered in Europe and America and other distant parts," wrote Sheikh Nasser at the time of the handover. "Now they are nearer to their places of manufacture, allowing those who live here to see the products of their great civilisation of the past."

He is also anxious to give historians and researchers the chance to pursue their studies into Islamic art, which is traditionally but by no means exclusively strong in calligraphy and decorative design rather than in figurative representation. Along with the geometrically patterned ceramic tiles and the silver-inlaid bronze bowls are some fine illustrations of noblemen and courtly life from Iran and India.

Sheikha Hussa looks after the collection in its new home, organising local exhibitions and international exchanges. "I am just running it in the same way I ran it in my house," she says in her office at the museum.

"But since the collection became public it has a new dimension. We make use of it in education to introduce people to Islamic art and culture. It has become more than an object of beauty. It has become a cultural centre.

"It is considered one of the most comprehensive collections in the world, not in the number of objects but in the areas it covers and in the quality also."

Like her husband, and like Greeks anxious for Britain to return the Elgin marbles, Sheikha Hussa is keen to gather in the Islamic art plundered, purchased or received as gifts in the past and now scattered across the world.

Sheikha Hussa

"This is what we are trying to do — to get it back," she says. Kuwaiti collectors are not short of money, but export restrictions in the countries concerned often make it difficult to buy at will.

Exhibitions are an important part of Sheikha Hussa's work. This year they include one on the early links between Sweden and the Arab world and another on Arabic texts printed in 16th century Europe. Plans are already under way for sending some 100 exhibits to Leningrad and then the US in 1990.

VM

Putting the squeeze on the juice sector

A train takes the strain in Tropicana's efforts to dominate the $3bn US orange drinks market. James Buchan reports

Every week, twice a week, a freight train a mile long leaves a siding in the town of Bradenton and rumbles north through the swamps and golf courses of central Florida for New York City, 925 miles away. The train carries orange juice, 1.2m gallons of refrigerated juice newly squeezed from Florida fruit, and it is a mighty weapon in one of the fiercest marketing battles in the US food and drink industry.

The train is owned by Tropicana, which has been shipping Florida fruit and juice to New Yorkers for 43 years. Next month is the peak of the growing season and the company's creaking, clanking processing plant at Bradenton is working round the clock. The office of Robert Soran, the 46-year-old chief executive, looks out over a park of growers' trailers, heaped with orange fruit.

"Look at us here and look at the competition," he says. "They don't grow oranges in Houston and Cincinnati."

Houston is the headquarters of Coke Foods, the food division of Coca-Cola, Cincinnati of Procter & Gamble. These companies are among the most skilful mass-marketing organisations in the world. But in the $3bn orange juice market, Tropicana, a company with just 12 officers, 12 marketing people and less than $900m in sales, is making all the running. And this is all the more remarkable because Tropicana's owner, the Seagram wine and spirits group, has little experience of selling non-alcoholic drinks.

Coke Foods' Minute Maid orange juice is still the largest US brand, with a share of 24.8 per cent at the last count in December. But it mostly sells a drink that the customer makes up from frozen concentrated juice, and the American customer increasingly cannot be bothered. In the rapidly growing market for orange juice that comes ready to drink, Tropicana had a 27.5 per cent share in the month to December 3 against Coke Foods' 21.7 per cent.

Meanwhile, P&G, which tried to bulldoze the competition in time-honoured fashion, is thought to be losing money hand over fist in a struggle to hold a share of only 9.1 per cent. The rest of the market belongs to price-shaving private label juices.

"We've had cola wars; now we've got fruit juice wars," says Michael Bellas, an industry consultant in New York. "This is going to be a dandy one to watch."

Tropicana may yet be muscled out of the way by its burly competitors. But it appears to be holding off a concerted challenge from Coke Foods in its New York market, and expanding rapidly in California and other new markets.

Almost single-handedly, Tropicana has changed a commodity industry into a market where it can establish and defend a price premium. This is no easy task because orange juice looks pretty much the same whichever way it's made, even if it tastes different. And US law is very restrictive, by European standards, in what can be termed fresh or pure.

Tropicana's success has had a lot to do with luck and technology, an experienced workforce and oodles of capital. More than that, it shows what a small and tightly knit management group can do if it really understands its product and loves to fight.

Tropicana was founded in 1946 by Anthony Rossi, a Sicilian immigrant turned Southern Baptist. Through a mixture of commercial sense and (according to his second wife's memoirs) divine guidance, he hit on the idea of chilling slices of orange and grapefruit and packing them in glass jars for the breakfast tables of the great Manhattan hotels. Orange juice was the by-product.

In the years after the Second World War, the rest of the industry concentrated on creating a mass market by evaporating juice – increasingly from Brazil – and then freezing and shipping the residue. This cuts volume by around 75 per cent and greatly reduces shipping and storage costs. Unfortunately, the heating and freezing process damages the fragile oils and flavours in the orange.

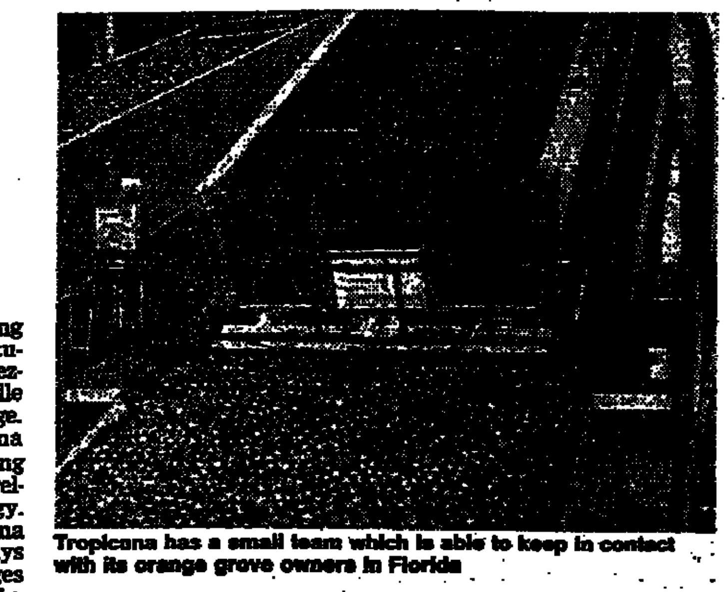
Under Rossi, Tropicana remained specialised, seeking premium markets through relatively advanced technology. Its main product, Tropicana Pure Premium, has always consisted of Florida oranges squeezed, pasteurised rapidly, refrigerated and packed. The juice will not last more than a few weeks even in a refrigerator and so, for a long time, the company had to forego wide distribution. But it gained dominance of America's largest and most sophisticated market, New York. It has never let go.

In 1957, Rossi launched an orange juice tanker, the SS Tropicana, to ship the juice to a pier in Queens, across the East river from Manhattan. In 1963, when frost wiped out the Florida crop, he moved Tropicana's operations to a barge off the coast of Mexico and bought the Mexican crop.

In 1978, Rossi sold the business to concentrate on missionary work. Under the ownership of Beatrice, which paid him $500m for it, and Kohlberg Kravis Roberts, the New York investment firm which bought Beatrice in 1986, management was greatly simplified.

It now consists essentially of Soran, a 12-year veteran of Beatrice, Robert Weissman as head of marketing and a finance officer in George Zulanas. Soran says the team is small enough to keep in touch with grove owners as well as the foremen and union leaders at Bradenton.

The 1980s have handed these executives a great opportunity. Americans have become more careful about their health and many have shifted from soft drinks to fruit juices or from concentrate to "fresh-pressed" juice. A severe frost in 1983 sent prices of all types of orange juice soaring. Says Daniel Schafer of Coke Foods: "As the price of other orange juices rose, it was easier for customers to make that jump into premium juices."



Tropicana has a small team which is able to keep in contact with its orange grove owners in Florida

These were classic conditions for what marketing people call the "segmentation" of a commodity market. But each company tried to reap the benefit in different ways.

Tropicana sought to build on its premium reputation, increasing its capital spending five fold since 1986 to cut costs, improve packaging technology and introduce Pure Premium Homestyle, a new product with chunks of orange in it. A special lining in the cartons has made it possible to expand as far as California. Because Tropicana is more expensive but still turns over quickly, retailers are eager to stock it over lower-priced juices. "Three years ago, we were in half the country," says Soran. "Now we're national."

P&G powered into the market in 1981, hoping to gain a quick double-figure percentage share with what it claims was a superior product, which it called Citrus Hill. But its various formulations, including a calcium-fortified version, and different packaging missed the fashion for a purer product. "If you want calcium, you can drink milk," says Soran

Wall Street analysts believe that P&G has now lost so much money in the business, certainly over $100m, that it cannot afford the huge cost of moving into not-from-concentrate, refrigerated trains. After its own excursion into calcium-added juices, Coke Foods did introduce its own not-from-concentrate in the Boston and New England markets last May, and moved into New York later in the summer.

A furious battle erupted. Soran says that the new Minute Maid product, Premium Choice, "imitates" Pure Premium in its name and its packaging. There has been heavy price discounting and promotion all round. In the key New York market, Premium Choice had garnered a 4.1 per cent share by early November, but from-concentrate Minute Maid had lost share. Pure Premium seemed to be holding steady. Citrus Hill was down.

What happens next will depend more than anything on profits. Seagram bought Tropicana as a strategic diversification from its spirits base, which is shrinking. The company paid $1.2bn for Tropicana, which is probably about 20 years' profits at 1987 levels. The payback will come more quickly if Tropicana's profits grow. But profits growth has been harder to achieve since Coke Foods launched Premium Choice.

But analysts believe that Seagram, which is controlled by the Bronfmann family of Canada, can afford to forego immediate profits to build a valuable brand more easily than its competitors.

Even P&G, renowned for never abandoning a market, has become more profit-oriented after a series of bruising and wasteful marketing battles in the 1980s. Says Jay Freedman, an analyst at Kidder Peabody on Wall Street: "I think they'll get in a foetal position and try and survive. They're not so inclined to throw dollars after markets as they used to be."

Soran says: "I told the Seagram board that in three or four years it will be clear that Tropicana was an absolute steal at that price."

UK mower battle

Competitors cut up rough

Philip Rawstorne on the latest bout of TV advertising

A 10-second television commercial last week signalled more surely than the preceding weather forecast that spring had come a little early this year. The commercial showed a map of Britain being transformed, to the sound of a mower, from a patch of overgrown grass into a neatly striped lawn.

It was the opening shot from Qualcast, the lawnmower manufacturer, now part of Blue Circle group, in the annual advertising battle for the UK's £130m lawnmower market.

The move seems to have caught Qualcast's major competitors – Flymo and Black & Decker – on the hop. As Qualcast's commercial went on air, Flymo was finishing filming its commercials in Australia.

But if the mild winter has meant an earlier than usual start to the fight for market share, the main battle will not be joined until April; and though it promises to be as fiercely fought as ever, it will be waged this year in a more civilised fashion than the tooth-and-claw "hover bovver" wars of the early 1980s.

Qualcast last year switched advertising agencies, replacing WCRS, which made its name with the "less bovver than a hover" campaign against Flymo, with Burkitt, Weinreich, Bryant (BWB). The advertising theme had become redundant as Qualcast had also begun to manufacture a range of hover mowers, and Flymo improved its product. "A different approach was needed," says Phil Buckle, managing director, "and we decided that it would be better to get a new agency to take a fresh look at the situation."

BWB's research showed that most householders regarded mowing the lawn as a chore – but that they gained a great deal of satisfaction and pleasure from the way in which a newly-mown lawn seemed to make everything around it look better.

The TV commercial which will form the core of the main £2.75m six-week campaign beginning in April was shot at Stonehenge last September. The £260,000 production shows the grass around the ancient stone circle – "a tricky bit of rockery" – being mown to a neatly striped finish.

The stone circle then tidies itself up – an effect achieved by assembling polystyrene blocks on Arsenal's training ground at London Colney, in Hertfordshire. "The difference shows where a Qualcast mows," says the slogan, which is to be repeated in a national poster and press campaign as well as on the company's brochures.

Qualcast is counting on its early start, the mild weather, and its switch of advertising tactics to reverse a decline in its market share over the past two years.

The company still claims brand leadership with a 44 per cent volume share of a largely static market in which some 1.4m mowers are sold each year, most of them in April, May and June. It estimates Flymo's share at 34 per cent.

Flymo, part of the Swedish-owned Electrolux group, disputes those figures, and virtually reverses them in its claims to be market leader.

Les Evans, Flymo's managing director, plans to spend £3m on a TV campaign this spring, with some supporting press advertising. Saatchi & Saatchi has made two new, 30-second commercials, one for a hover model, the other for a rotary mower which produces the striped finish so heavily featured in the Qualcast advertisements.

Just as Qualcast has moved into the hover mowers that it once denigrated, so a quarter of Flymo's production this year will be wheeled, rotary mowers – the most popular machine in continental Europe where it is now looking for further expansion.

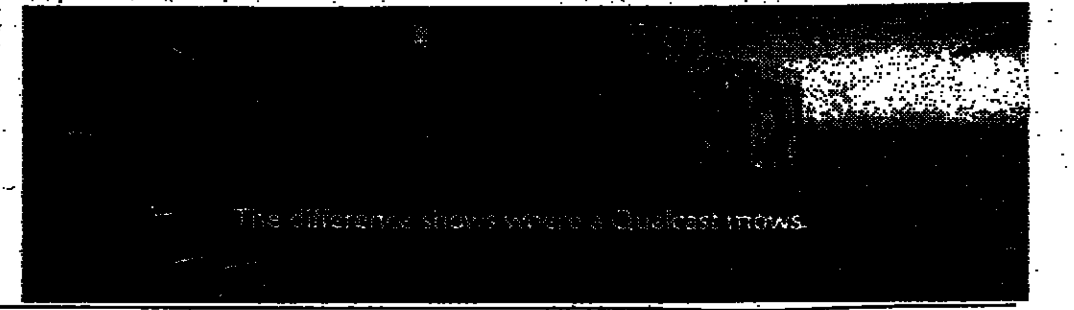
Evans declines to reveal the theme of his campaign in advance. "But we have a new marketing platform," he says. Guarantee cards already being returned to the company, he adds, suggest that Flymo is still gaining ground this year despite the fact that it has not yet started to advertise.

The intensity of the competition between Qualcast and Flymo in pricing, marketing and technology, has made it very difficult for any other manufacturer to gain ground.

US-owned Black & Decker, which entered the market in 1978, has never been able to secure more than 17-20 per cent of the market, lagging well behind in third place, despite the success of its other garden and household tools. It refuses to talk about its advertising plans for this year.

More surprisingly, perhaps, considering their achievements in other industry sectors, the Japanese threat has also been contained. Ten years after it entered the market in a blaze of publicity, Honda has failed to achieve any significant penetration. The general estimate is that its petrol-driven rotaries have secured no more than a 2-3 per cent share at the most expensive end of the market.

The idiosyncratic UK mower market, with its preference for electric-powered machines, and its split between cylinders, hovers and rotaries, appears to be one place where a global marketing approach does not work.



The difference shows where a Qualcast mows.

CINEMA

Cops, killers and kooks

MANHUNTER
Michael Mann

THE ACCIDENTAL TOURIST
Lawrence Kasdan

MR NORTH
Danny Huston

THE BIG BLUE
Luc Besson

DIARY FOR MY CHILDREN and DIARY FOR MY LOVES
Mata Meszaros

THE TERRORISER
Edward Yang

"How did you catch me?" asks the mass murderer. "You had disadvantages" replies the detective. "What disadvantages?" "You're insane."

If Dostoevsky had been hired to script an episode of *Miami Vice*, he might have come up with the screenplay for Michael Mann's *Manhunter*. Mann wrote it himself as it happens, from a Thomas Harris novel. But as a Hollywood thriller it is more like a Russian novel: two hours of psychic scuba-diving into the midnight minds of a serial killer and his barely less obsessive pursuer.

Detective Will Graham (William Petersen) has a knack for tracking down psychotic killers: he thinks himself into their thoughts and near-telepathically plots their moves. However, this process has its bruising price: it landed him in a mental clinic last time round. And now that another mass killer is loose – the "Tooth Fairy" (speciality, leaving love-bites on his slaughtered victims) – will the police have the heart to lure Graham out of voluntary retirement?

You bet they will. No film otherwise. Soon, across the gleaming geometry of Michael Mann's America, with its pastel twilights, designer chiaroscuro and colour-coordinated cop shops (from the producer of *Miami Vice*, what else?), Graham is doing what a man's gotta do. After tapping into the criminal mind-set with the help of his old enemy Dr Hannibal Lecktor (Brian Cox suavely batty as the behind-bars killer-cum-crime-boffin), our hero legs it from one forensic lab to the next applying science to his own brand of mysticism. After all, there are only six days to the next full moon and "this guy's on a lunar cycle."

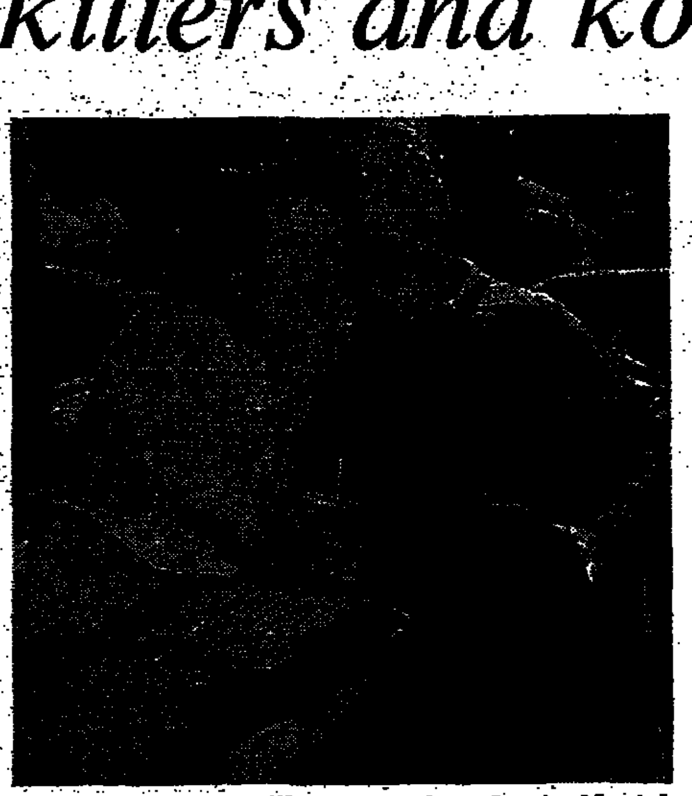
Manhunter hits clichés like tripwires, as it gallops through the dark night of the post-modernist police detective. But the film has so much pace, tension and bravura that cries of "Oh no, not that old chestnut" – when the hero's own wife and kids are theatened by the sicko, or when his climactic quarry is (yes) an attractive blind girl – barely have time to leave our lips. Mann's previous movies, *Thief* and *The Keep*, were lashings of style in search of some substance. *Manhunter* is still 80 percent style, but the style has mounted a motorcycle. It moves so fast that its thrilling blur becomes one with the eerie disorientations of a plot in which madness is harnessed in the fight for reason and justice.

*

The only serial killer in Lawrence Kasdan's *The Accidental Tourist* is life itself. It wears down and terminates each of us in turn, accidental tourists to Planet Earth.

The hero of Anne Tyler's funny, touching novel was a travel-writer, here played by William Hurt, who specialised in pain-killing guides for businessmen: how to travel abroad and think you are still at home. Cocooning others, he has long cocooned himself. Now a bereaved parent – his son was innocently killed during a supermarket robbery – he is about to emerge from shock to encounter the temperature changes of marital separation (from Kathleen Turner) and romance with a kooky young dog-trainer (Geena Davis).

Tyler's novel is perfect material for Lawrence Kasdan, whose own filmography has rung dramatic temperature changes (*Body Heat*, *The Big Chill*). As warming passion and deep-freeze anomie battle it out for our hero's soul, the film is by turn moving, thoughtful and deliciously funny. Hurt, as if bowing to Trades Description legislation, keys his performance to "hurt" looks. Visibly in shock for most of the film's 120 minutes, he moves his face in tiny articulations of dismay, horror or bewilderment. Here a lip lifted in distaste, there two eyes as dazed and orbital as Roger Rabbit's.



Geena Davis and William Hurt in "The Accidental Tourist"

You can believe that this man – a psychic stretcher-case just like his temperamental corgi dog – would attract a dangerous do-gooder like Miss Davis: a woman with an eye, nay a telescopic sight, for waifs and strays. *Miss D draws Mr H* to her, using for bait only her natural wackiness: an eccentric wardrobe (she must shop in Baltimore's answer to Oxfam), a working-class yap of a voice, and a refusal to return her man gracefully to his estranged wife when the latter beckons. (Kathleen Turner is Davis's perfect opposite: all clothes sense, grace under pressure and racehorse nostrils.)

Kasdan arrays his characters across a wide screen and then engulfs them in misty-grey or dark-olive colours. (Superb photography by John Bailey.) They look like soldiers drowning in life's trenches. In movies, fidelity to a good novel is often a bane not a boon: a pledge of stunted literalism. But *The Accidental Tourist* is faithful in the very best sense: it does not merely reproduce Tyler's story, it embraces it, breathes it and lives it as if new.

Breathing is less happy in *Mr North*. For his directing debut Danny Huston, son of John, has taken Thornton Wilder's novel *Theophilus North* and endeavoured to prise it, with much gasping effort, from the page.

The titular hero (Anthony Edwards) comes to Newport, Rhode Island, in 1926. Here amid the pristine Gatsby set the young man purveys his magic: an ability to store electricity in his body and healingly discharge it from his hand. Soon *le tout* Newport is begging for more, including incontinent millionaire Robert Mitchum, cockney con-man Harry Dean Stanton, lovesick chambermaid Virginia Madsen and spinster heiress Anjelica Huston.

After the reluctant tourist, here is the reluctant faith-healer. Soon our hero is being chased across the skyline by healing-hungry crowds and by a director – Mr Huston – vainly attempting to pin the subtle magic of Wilder's messianic fable onto film. But the photography is pretty without depth, the star cast shines without afterglow, and the picaresque scenes trip into each other like guests at a genteel, overcrowded game of blind man's bluff.

*

Picaresque would be an understatement for Luc Besson's *The Big Blue*, a vast, glossy nonsense which has been packing in audiences in France. We start off in "Greece 1965," meeting our hero as a young boy. (He will grow up to become champion free-diver Jacques Mayol, played by Jean-Marc Barr.) Soon we move to "Sicily 1988," meeting our hero's lusty, hard-living rival Enzo (Jean Reno). Then we are off to South America, where Mayol takes practice dives beneath the Andean ice. Then we go to the French Riviera; then New York (to meet Rosanna Arquette, who will become Mayol's love); then Taormina for the world diving contest.

Accompanied by music that sounds like pan-pipes with emphysema, this round-world trip is among the silliest, longest films of the year. Around its real-life hero Besson assembles a disposable tissue of make-believe: cavorting dolphins, postcard-pretty seascapes, a love-rivalry plot between Mayol and Enzo, and the inevitable climax when One Man Does Not Return From The Deep. (With the real M. Mayol still alive today, no prizes for guessing who it is.)

*

Happily, there is still intelligent movie life on this planet. You may find examples at the Camden Plaza or the ICA. The first presents Marta Meszaros's moving autobiographical diptych, *Diary For My Children* and *Diary For My Loves*: two tales of growing-pains in purge-torn Hungary, as the Communist Family grew and Uncle Joe Stalin tried to stop dissenting chips leaving the new Bloc.

At the ICA, a superb Taiwanese film, Edward Yang's *The Terroriser*. Enigma and eerie discontinuity score this tale of lives yoked together by urban terror. Draughts of fear blow through the near-abstract geometry of rooms and streets. Relationships piece themselves together like reluctant jigsaws. And the sound of murder is only one sound amid the babble of traffic, street cries, a distant child practising the piano. This is a movie made like a mosaic, and it is mesmerising.

Nigel Andrews

Rain Man wins Golden Bear at the Berlin Film Festival

The 39th Berlin Film Festival folded its tent yesterday and is probably trying to fold its memories too. In a lean year America's *Rain Man* deservedly won the Golden Bear: with Best Acting nods to Gene Hackman (*Mississippi Burning*) and Isabelle Adjani (*Camille Claudel*). But the two best surprises of the festival were outside the Competition.

The Polish feature *A Short Film About Love* is magnificent. Krzystof Kieslowski's new movie in his planned ten-film series based on the Ten Commandments – its predecessor won last year's Best European Film award – hums with wit and invention. Beginning as a tale of voyeurism, with a young postal worker playing Peeping Tom to a beautiful girl in the flat opposite, it metamorphoses into a love affair first teasing, then touching and finally shot through with tragedy.

Equally volatile and hypnotic is Ann Turner's *Celia* from Australia. Growing up in mid-1950s Australia, the 9-year-old heroine lives a life woven of fantasy and reality. So, implies the film, and mischievously elaborates the conceit, does Australia herself in this time: a prey to multi-coloured paranoia, ranging from postwar Commie-phobia to the appalling hilarity of the "Rabbit Muster," when myxomatosis required the nationwide surrender of all pet bunnies. *Celia* shows the Australian dream at a point where it began to shade, comically and menacingly, into an Australian nightmare.

Both these films are expected in Britain later this year. Keep a watch out.

N.A.

Martha Argerich

WIGMORE HALL

In the midst of what was otherwise a perfectly ordinary Philharmonia programme on Tuesday evening, in which Giuseppe Sinopoli conducted Wagner and Beethoven, Martha Argerich delivered an account of Liszt's First Piano Concerto that was anything but ordinary. On this page some years ago Dominic Gill described Argerich as possibly the most talented of an outstanding generation of pianists that also includes Pollini, Ashkenazy and Barenboim. But her concerts in London have been erratic in recent times – a few concerto appearances, and last year a memorable recital with the violinist Gidon Kremer, but no solo engagements – and the progress of such an inspirational artist has had largely to be tracked, imperfectly at best, by her infrequent recordings.

The Liszt First Concerto is unpromising material for a sustained display of musical intelligence, but here it was forged into a musical unity quite as convincing as the brilliance with which its technical difficulties were surmounted. The technique one quickly takes for granted with Argerich – there can be few pianists with more effortlessly natural control, and she is able to direct all her energies upon articulation and expression. Even single chords, in the rhetorical flourishes of the opening movement, were charged with exceptional excitement; the dramatic grip which was visited upon the concerto in the first solo entry (and fully reinforced by Sinopoli's direction, with the Philharmonia at its formidable best) was never allowed to falter. The decoration around the themes of the slow movement, raptly floated, exquisitely turned, still carried with it a crystalline precision, and the finale was opened with quite bewitching *élan*.

In the last movement Argerich set her accompanists an impossible task, nudging the tempo this way and that, treating each bar almost to a separate collection of nuances. Yet it was never wilful or incoherent: the movement remained triumphantly all of a piece, projected in a single curve towards the dashing coda. Writing about this pianist one tends quickly to exhaust one's stock of superlatives, but this was a concerto performance to store away in the most enduring memory. If there is anything to approach it in London this year the audience will have been fortunate indeed.

Andrew Clements

Vermeer Quartet

ST. JOHN'S, SMITH SQUARE/RADIO 3

String quartets take very well to the ripe St. John's acoustic – I even think that they sound better when broadcast from there than from most purpose-designed studios. Certainly the Vermeer Quartet's Haydn and Berg was transmitted superbly from their BBC Lunchtime Concert on Monday: the refined intricacies of Berg's Lyric Suite were extra-lucid, and yet enhanced by a warmth and depth that one might have expected to be incompatible with all that fine detail.

The Vermeer began with Haydn, the E-flat "Joke" quartet from opus 33. It began suavely (some quartets leap into it with more extrovert exuberance), but well-sprung and alert. By the scherzo they were waltzing away happily, something that the music gives good excuse for, and then they took up the neartfelt Largo sostenuto with unstinted lyrical feeling. The "joke" final Presto was the better for being played out with deadpan neatness. The taut balance of the ensemble was no less a pleasure throughout than the imaginative solo details that stood out here and there.

Their account of the Lyric Suite made a magnificent case for placing it among the greatest of high-romantic documents. There was much more than biographical interest in the discovery, some years ago, that Berg had composed it to a secret erotic scenario: the slightly frantic headings of its six movements (2Presto delirando", "Trio estatico" and so forth) had always implied something of that kind. But for performers, understanding it as a continuous personal narrative, rapturous and tragic, must focus the interpretation of the work quite sharply; and the remarkable dramatic power of the Vermeer reading answered to just such a vision.

It was not a matter of subordinating details (with which the score is crammed, in Berg's charateristic way) to some supra-musical plan. On the contrary, the dramatic life of the music lies every bit as much in the fraught details as in the larger extreme contrasts of mood and pace, and the Vermeer players rendered it all with extreme finesse and empathy, as well as beautiful sound. They persuaded us that it is no exaggeration, but the plain truth, to say that the Lyric Suite is the chamber-scale *Tristan* of our century.

David Murray

A Hero's Welcome

THEATRE UPSTAIRS

A washing line slung along a strip of cracked red earth defines the performance area for Winsome Pinnock's latest play, with the audience banked up on either side. It is an oddly discomfiting arrangement which breaks down the naturalism of the dialogue by the simple physical fact of seldom allowing two characters into a single field of vision.

Although director Jules Wright undoubtedly has her reasons for choosing to stage it like that – Pinnock's central concern, after all, is the distances between people – it seems significant that the most successful scenes in a structurally rather rickety piece are often the ones played in close-up: the tender humour of two young women watching a liner departing for England with another load of Jamaican emigrants says everything that needs to be said about the plight of those left behind. One is pregnant, the other girlishly anxious to hear the first gurgles of life. Lowering her ear to her friend's belly for the umpteenth time, she hears the blast of a departing foghorn. It is a beautifully poised and complete moment which hardly needs the reminder that the baby's father will be on the next boat.

Joanne Campbell and Pamela Nomvete

The play is set in 1947 in a Jamaica whose heroes have long returned to civilian life bringing with them the myth of war glory and the scent of a freedom denied them by the claustrophobic realities of island life. It is a terrain well raked over by the current crop of male West Indian dramatists, but Pinnock comes to it afresh, reclaiming the female experience of the post-war exodus in much the same way as the war years have been reclaimed by English women writers. The perspective she offers is just as resonant.

Her male characters remain shadowy figures: the brash young buck (Gary McDonald) and Brian Bovell's limping, bookish veteran of a supposedly heroic campaign exist in relation to the women who manipulate, mother and long for them. While the aged Nana, played with cackling humour by Mona Hammond, mugs up her palmistry from an ancient teach-yourself manual, the younger generation despair of old-fashioned love potions as the means of winning themselves a future.

The most pragmatic of the three girls is Minda (Suzanne Packer), an archetypal climber, who overcomes her disappointment at the death, in flagrante, of her elderly, wealthy employer by marrying the local hero and finally eloping to England. She is not bad so much as driven by her ambition to rise in the world – a fact that seems to be implicitly accepted by Pamela Nomvete's gentle, compassionate Sis.

The chosen structure leaves little space to develop the conflict of interests between the girls – a little more social context-setting would firm up the centre of interest, for want of which the earlier scenes tend to lose their sense of purpose. But for all its faults, this strongly-performed Women's Playhouse Trust production reveals a writer who, like her characters, is obviously going places.

Claire Armitstead

ARTS GUIDE

February 17-23

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. Daily until April 9, except Good Friday; sponsors Alitalia and Fiat.

The Barbican Art Gallery. The Last Romantics. A fascinating study of the romantic, symbolic and decorative strain in British painting, that links Burne-Jones and the later pre-Raphaelites to Stanley Spencer and the Slade muralists of the 1920s. Daily until April 9.

The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. The exhibition is an odd and delightful anthology of images of that *sometimes seductive*, sometimes daunting personification of La France, Marianne, as she has been has been depicted in French art over the two centuries since the Revolution, with a few antecedents thrown in. It is frustrating in that not all the requested loans were met, and the gaps are eloquent of the larger exhibition that might have been. But even so it is a generous and affectionate tribute to Britannia's difficult neighbour. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3 to June 11.

The Royal Academy. Italian Art in the 20th century – after German and British, the 3rd in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments *of Futurism*, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and helter-skelter in bringing the story up to date. But the works in themselves are well chosen throughout, never less than intriguing and often very beautiful. All in all it is a remarkable exhibition (daily until April 9, except only Good Friday: sponsors Alitalia and Fiat).

Paris

Musée du Luxembourg. Treasures *of Gallo-Roman Silverware.*The splendour of Roman silversmiths' work is brought to life by the rich finds on the territory of Roman Gaul. 250 exhibits show favourite decorative motifs – floral themes, scenes inspired by hunting or by the Dionysos cult. Tableware, mirrors and treasures from temples testify to the finesse of Roman and Gallo-Roman master craftsmen. 19, rue de Vaugirard (42342595). Closed Mon, ends April 23.

Musée Picasso. Because the floors of the museum are crumbling under the passage of visitors, all the paintings have had to be taken down during repairs, which will last for about two months.

Louvre. Pavillon de Flore. The Rembrandt school is on show at the Louvre. It consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Closed Tue. Ends March 27. Entry from the Quai des Tuileries, opposite Pont Royal (42 60 39 26).

Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to metaphysical preoccupations in his recent works. Closed Tue. Ends March 27 (42 77 12 33).

Brussels

Musée Royaux d'Art et d'Histoire Indus. The ancient cultures of Pakistan. Closed Monday. ends May 14.

Musée Royaux d'Art et d'Histoire. Tibet – Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musee Guimet, Paris. Closed Monday ends May 14 (733.9610).

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 300 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Berlin

Nationalgalerie, Potsdamer Strasse 50. Guggenheim Collection.Around 60 paintings from the Solomon R. Guggenheim Foundation in New York and Venice with works by Picasso and Pollock are exhibited. Ends March 19.

Munich

Kunsthalle der Hypo Kulturstiftung. Retrospective of Paul Delvaux. This exhibition with 66 *pieces from all periods* is the first big presentation of Delveaux's works in Germany. The 91 year old Belgian painter first became famous for his surrealist work in the 1930s, influenced by De Chiricos and Magritte. The main subject of his paintings are naked women in classical settings and landscapes from his homeland. Ends March 19.

Stuttgart

Stuttgart Museum. Key works from the Thyssen-Bornemisza collection covering the period *from the 14th-18th centuries*, as well as works by Holbein the younger, Frans Hals, Peter Paul Rubens and Albrecht Dürer. Until March.

Vienna

Kunstlerhaus. The Soviets are becoming more relaxed about exhibiting their treasures abroad The latest to hit the West is a collection from Leningrad's Hermitage which is devoted to Scythian Gold, the golden artifacts of the Scythians, a nomadic people who once ruled over a large area north of the Black Sea. The 170 exhibits – ranging from gold-embroidered clothings, earrings and tablewear – were found in the ritual grave mounds of the Scythian kings. Ends February 28.

Secession. The Austrian designers, *Oskar Putz* and *Adolf Krischanitz* are worth seeing. Krischanitz, who designed some of the marvellous furniture at the newly restored Secession, is having a big impact in Japan. Besides seeing what the post-war generation of Austrian artists *are up to, one can also see* Klimt's Beethoven Frieze.

Rome

Spanish Academy (Piazza s. Pietro in Montorio 3). Seventeenth and eighteenth century Italian drawings from theBiblioteca Nacional, Madrid: over a hundred drawings of quite exececpional quality, with representatives of all the major Italian schools: Roman, Bolognese, Neapolitan, Florentine, Genoese and Venetian. Among the most charming are two sketches by *Gian Lorenzo Bernini of decorations* for the Roman churches of Sant'agostino and S. Maria Delle Vittorie; landscapes by Salvatore Rosa, an architectural study by Filippo Juvarra and a fine Piranesi. Until Feb 26.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Milan

Palazzo Reale. *Avant-garde Russian painting from private collections* (1904-1934). A remarkable exhibition organised by the Commune of Milan and the Soviet Cultural Foundation, and sponsored by Pirelli, of works from 19 *private collections* in Moscow, Leningrad and Kiev, none of which have ever been seen in the West. Until March 5.

New York

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, *disaster* paintings and numerous self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. This Zen temple was founded in 888, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle arts of the tea ceremony and flower *arrangement and its* treasures include beautiful gilt Buddha statuettes, lacquerware and porcelain from the Heian period. Closed Mondays.

Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to *live and work in France and* whose arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Wednesday.

SALEROOM

Impressionist success

The finest Impressionist pictures are in a class of their own – at least in terms of value – but there seems to be a knock on effect down into the lower divisions and yesterday's auction at Sotheby's of run-of-the-mill Impressionist and modern works of art did well, with a total of £1.5m in the morning session alone, with only 10 per cent unsold.

There were some exceptional prices, not least the £143,000 record paid for "Nature morte," an abstract still life painted in 1943 by Oscar Dominguez which carried a top estimate of only £30,000. Another painting to do well was "Nu assis" by Andre Lhote, picked up cheaply in Brussels recently but selling for £60,500, three times its estimate.

Another painting that had been badly underestimated was "La fenêtre de la villa rose," a garden scene by Charles Camoin, which went for £52,800 as against a £15,000 top forecast, while André Masson's "Etude pour homme marchant," painted around 1930, also comfortably exceeded its estimate, selling for £50,600.

Christie's Impressionists on Tuesday had more problems, totalling £734,020, but with 26 per cent unsold. Top price was the £20,900, way above forecast, paid for a tiny watercolour of a young girl by Marie Laurencin.

Sotheby's auction of early English and continental ceramics on Tuesday was a great success, totalling £672,914, with 7.6 per cent unsold. A feature was the dispersal of a one owner collection of 143 maiolica and faience drug jars, the majority of which are from the 17th century. The jars, which were used to store dry and wet drugs, are elaborately decorated, to catch the eye of shoppers. One, a Montelupo wet drug jar produced in Florence in the late 16th century for the pharmacy of the Convent of San Marco, sold to the London dealer L'Aiglon Fine Art for £14,300, more than double its top estimate.

Top price in the auction was the £38,500, from a private buyer, for a *Nuremberg* parcel gilt mounted tankard of 1730. It commemorates the bicentennial of the Confession of Augsburg and depicts Martin Luther, among others. It was painted by Grebner.

Among the English ceramics a rare Staffordshire Toby Jug of a rosy sailor, which was expected to sell for around £1,600, realised £18,700 to a private buyer. The dealer Anthony Sampson twice paid £16,500 – for an "Italianate" jug probably made in Southwark around 1630, and for a Whielden type figure of a Pug, a type previously unrecorded.

Antony Thorncroft

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000

Thursday February 23 1989

Destruction in the Amazon

THE DESTRUCTION of the Amazonian Forest is being given an unprecedented public airing this week at a meeting organised by Indian groups at Altamira in the heart of the region.

The plight of the forest brings together all the tangled elements in the conflict between development and conservation and, because of its scale, it has an impact that affects not just Brazil but the rest of mankind. The Amazon Basin constitutes the largest tract of tropical rain forest in the world. Its importance in the world's eco-system may have long been recognised, but only recently has the full seriousness of deforestation begun to be appreciated in such matters as the carbon dioxide balance in the earth's atmosphere.

Deforestation has been occurring at an accelerating pace through a combination of industrial development (hydro-electricity and projects like the Carajas iron ore scheme), hard wood exploitation, slash-and-burn by land-hungry peasants and land clearance by big ranchers. The forest is disappearing faster than man's ability to compile an inventory of its resources (especially the medical ones). Deforestation creates erosion that destroys nutrient cycles, increases flooding and alters rainfall patterns. It also undermines the environment of the dwindling native Indian population. Beyond all this is the effect on the world's climate of damage to the ozone layer.

Government dislike

The Brazilian Government understandably dislikes being told how to manage its own resources, especially when so much of the industrialised countries' wealth has been created at the expense of the environment. Even today the debate in Europe over acid rain has demonstrated the sensitivity of governments to external pressure on what have traditionally been considered sovereign or simply corporate decisions. However, Brasilia has been far too slow in spotting the degree to which the international community believes it, too, has an interest in the development of the Amazon Basin. At the same time the Brazilian response has been too facile, shielding behind a wall of nationalism.

Nothing can be done without the collaboration of the Brazilian Government and this is going to require sensitive diplomacy. International institutions and governments must begin to take the initiative away from the environmental pressure groups, first by compiling authoritative information on the destruction of Amazonia and then by action. Until now virtually all the consciousness-raising has been done by the environmental lobbyists.

Mainstream politics

This will involve recognition by Western governments that the environment is no longer a fringe issue but mainstream politics, something which the British Prime Minister seems to have taken on board. If developing countries like Brazil are going to be helped, they will need both funds and technology which the industrialised nations are best equipped to provide.

Here the matter becomes inextricably linked to Brazil's economic situation and its debt burden. In Brazil – as in other developing countries – environmental protection appears an expensive luxury when measured against the demands for economic growth which are politically and socially far more pressing. The root cause of the destruction of the Amazon is Brazil's poverty, and any international assistance must take this into account.

The industrial countries must recognise two further points. First, there is not merely a moral but a practical need to compensate Brazil generously for the costs it is being asked to incur on behalf of the world as a whole. Debt relief to aid conservation is one sensible suggestion. Secondly, Brazil is a frontier country where the writ of central government is often rendered meaningless by the impossibility of policing the vast interior. The industrial countries must, therefore, offer the Brazilian Government whatever help it needs to ensure there are incentives for conservation and policing where they matter – on the ground.

Boom or bust in Australia

THERE IS no plain sailing for the Australian economy these days. It either skims along, threatening to dismast itself, or it stops dead in the water, threatening to sink.

The result is that the economy always appears to be on the brink of calamity. The latest problem, caused by overheating of domestic demand, is as bad a combination as could be imagined: interest rates way above all major competitors, an overvalued currency eroding export gains, a rapidly deepening current account deficit sucking in excessive import volumes, and inflation at 8 per cent on a rising trend.

Electoral cycle

But the really destructive element at work in Australia is its three-year electoral cycle, making political considerations over-rule economic common sense.

In the depths of Australia's 1985-86 recession Mr Paul Keating, the Treasurer, gave warning, as the economy went into reverse, that the country was rapidly qualifying as a banana republic. Last week he admitted the economy was expanding much too fast.

The underlying problem then and now is the same: volatile commodity prices which all but eliminate any chance of macroeconomic stability. The collapse in worldwide commodity prices in the mid-1980s gave countries like Australia and Malaysia a sudden recessionary shock but also the chance to restructure their economies, widening the economic base to build up industrial production with higher value added.

The danger always was that the restructuring would be undermined by too rapid a recovery in commodity prices, putting strong upward pressure on the currency and inflation. That is exactly what has happened. The value of commodity exports has rebounded too fast, too soon. Some three quarters of Australian exports are still commodities or raw materials and five such items, all now booming – coal, wool, wheat, iron ore and beef – account for fully 40 per cent of Australia's total merchandise exports.

The results of the over-rapid recovery have been entirely predictable and Mr Keating, not for the first time, is caught between a rock and a hard place. The overheating domestic demand implies higher interest rates – they are already at 16 per cent – while the overvalued exchange rate calls for lower interest rates. Business, on the other hand, needs both lower interest rates and a more competitive currency before the long-awaited export gains of the last two years are lost.

Mr Keating has pursued liberalising policies – with the notable exception of the labour market – and a consistently tight fiscal policy. He is commendably building up budget surpluses to smooth out the effects of the commodity cycle, but it is impossible to prevent leakage of the gains into the economy, with the destructive effects now evident.

Mr Keating waited too long before wielding the interest rate weapon against domestic demand; when the danger signals appeared early last year he dallied. But interest rates are nowstarting to bite and the gravity of the economic difficulties is belatedly forcing speculators out of the currency. Mr Keating should be able to sit tight and wait, with occasional prayer, for his tight fiscal and monetary policies to work through, especially as commodity prices are also likely to ease later this year. But as usual there is no time.

Promised tax cuts

Cuts in personal taxes, the very stimulant the domestic economy does not need just now, are promised for June as part of the Government's pact with the labour unions to restrain strikes and wage demands. However, Mr Keating may be unable even to contemplate facing down the unions because, yet again, it is pre-election time in Australia. Tax cuts are thought to win votes (and cancellation of promised tax cuts certainly loses votes). Mr Bob Hawke's Labor Government was elected in 1983, 1984 and again in 1987. There must be another election before April 1990 and the likeliest date is this autumn.

Australians not keen on bananas should refuse to endorse any party which does not have lengthening of the electoral timetable to four years at the top of its manifesto.

Antony Thorncroft on the row at London's Victoria and Albert Museum

Culture clash in Kensington

The Victoria and Albert Museum was awash with visitors last week, more than 30,000 of them, a third more than a year ago. Could it be that Museum Year is off to an excellent start; or was it the new exhibition, Photography Now, pulling them in; or were they mainly voyeurs, intrigued by the row between the director of the museum, Mrs Elizabeth Esteve-Coll, and some of her leading curators, a row which has propelled the V&A into the headlines?

Certainly reports suggested a tempting spectacle: a philistine director attempting to turn into an offshoot of Disneyland one of the nation's great museums, which, with its South Kensington neighbours, the Science Museum and the Natural History Museum, forms the greatest museum complex in Europe. The reality is more mundane.

Mrs Esteve-Coll is belatedly trying to pull the V&A into the modern museum world, a world dominated by the market place. Her fellow directors at the leading national museums have, in the main, pushed through their internal revolutions, not least Mr Neil Cussons, who took over at the Science Museum almost three years ago, and Dr Neil Chalmers, who succeeded to the Natural History Museum last November.

Both museums now operate admission charges (which are still voluntary at the V&A). They are seeking more cash from business. They have reorganised their internal management, slightly trimmed their staff, and spotted and pursued profit centres in their operations, like shops and restaurants. There is little difference in their approach to that of independent museums, despite the fact that the Government will this year contribute £21m to the Natural History Museum and £17.6m to the Science Museum. The V&A is still screwing up its courage to go commercial.

The problem for Mrs Esteve-Coll is her staff, not so much the attendants, who are generally on her side, but the curators (keepers) of the collections. The V&A is not short of staff: their wages absorb 83 per cent of the £12.9m that the museum is getting from the Government this year to cover its running costs out of a total grant of £21.5m.

This is a frighteningly high slice. The comparable figure for the Science Museum is 67 per cent and at the NHM just 54 per cent. With the wage bill set to rise faster than the planned increase in annual government funding, Mrs Esteve-Coll saw the museum diving into the red by 1991. Hence the need for urgent action.

But the staff at the V&A are not only expensive. They are also opinionated, eloquent and jealous of their reputation and their rights. The V&A employs some of the leading scholars in the country in such fields as Indian and Far Eastern antiquities, sculpture, textiles and costumes, ceramics and prints. Many of the curating staff were educated at the Courtauld Institute which, through its academic excellence, had traditionally exercised a stranglehold on most of the senior posts in the museum world. But now a new breed of entrepreneurial manager has taken the top job. Mrs Esteve-Coll, a librarian by background, established her reputation at the V&A by modernising the library, not an intellectual background to impress her more academic keepers.

The keepers had enjoyed considerable freedom under the rule of the previous director, Sir Roy Strong. When he attempted to ease the museum's financial problems by introducing voluntary admission charges in 1985 the staff mounted pickets outside the building. The ensuing hostility helped to persuade him to retire early.

Mrs Esteve-Coll took over two years ago and inherited a minefield. The V&A had not been administratively reorganised for more than 80 years and its system of having keepers responsible for every aspect of their departments, from display to research, was out of step with modern museum management. "It is ridiculous to have people with three degrees walking around the museum with baskets of ceramics and the like," says Mrs Esteve-Coll, justifying her new structure which effectively separates the scholars from direct contact with the collections.

Early in 1988 she embarked on a series of consultations which precipitated the crisis. By going for the maximum involvement of the staff she found herself ploughing through a forest of conflicting recommendations and ideas. In the end the Treasury forced her hand. If she could find a quick solution there would be an extra £300,000 in cash to pay for any necessary redundancies. With the encouragement of the new chairman of the Trustees, Lord Armstrong, the former Cabinet secretary, four keepers and five other leading scholars were offered generous redundancy terms. If they accepted within days they got the money; if not – the threat was left dangling. Eight have accepted and the crisis is temporarily defused.

The whole exercise was messy and precipitate. To the amazement of Mrs Esteve-Coll it led to an unseemly row, with many leading figures in the art world rallying round the sacked staff.

At heart this is a historic conflict of views about the role of a museum. For many curators it is a shrine to scholarship, where knowledge can be fashioned while an educated public, who can appreciate the objects, is spiritually refreshed. For Mrs Esteve-Coll a museum is a challenge to a wider, less educated, audience, who should be tempted in and then helped to enjoy more by down-to-earth labelling and imaginative displays.

"We must make our collections more accessible to people who have not had a higher education and who do not have much knowledge of the classics or the Bible. So our new Chinese gallery will have an inter-active relationship with the visitor. We know from research that most people can only take in two or three ideas so rather than have a mass of objects we will concentrate on a few major themes, say death or eating, and show objects related to these activities."

The museum began life with a practical purpose, to improve design standards for British manufacturers in the heyday of the industrial revolution. Its correct name is the "National Museum of Art and Design." The expansion into pictures and the decorative arts largely came about through unexpected bequests.

The Trustees of the V & A are now well stacked with businessmen, some with a design background (Sir Terence Conran of the Storehouse group) some more commercially minded (Sir Nevil Macready of Mobil; Sir Clifford Chetwood of Wimpey). The links with the business world are intended to improve the administration of the museum and to provide it with contacts who can put the squeeze on for additional money.

In the future, the V&A intends to sell its expertise harder. When the salerooms want an object authenticated they will be expected to pay, as will government departments if they need a V&A expert to give a valuation on a tax exempt antique.

In the autumn, when the Trustees once again discuss admission charges, it is probable that the V&A will fall into line with its neighbours by imposing a fixed admission charge. This should ease its financial problems. Voluntary charges will bring in £570,000 this year, but this is half the target at the Science Museum, and small beer compared with the £1.7m the NHM will take in admissions revenue this year. The obvious next step is one ticket which gives access to all three museums.

A commitment to an admission charge will depend on Mrs Esteve-Coll's willingness to face another row. She was caught off guard by the recent fracas, making herself hoarse with laryngitis trying to defend not so much her decision as her method. It was as if the powers at the V&A wanted to show where authority lay, to kill off the myth that keepers were set up for life.

It is all so very different across Exhibition Road. At the NHM, Dr Chalmers has inherited a post-revolutionary situation. It was his predecessor Dr Ron Hedley who, faced with the choice of closing down departments and shedding 75 research staff or imposing admission charges, went for the second option. There was the predicted initial 40 per cent fall in admissions. But now revenue is above target and is being used to smarten up the museum: out with the glass cages of stuffed birds, in with push-button displays on ecology.

Along with this there has been a drive for sponsorship – Shell has invested £250,000 in a new educational block; the dinosaur hall is let out for parties, which brings in £500,000 a year; and there have been improvements in the shop, the restaurant and publishing, with more changes planned. Already the NHM contributes 25 per cent to its running costs through its own efforts.

This pursuit of commercialism is not enough for Dr Chalmers. He is about to launch a Development Trust, aimed mainly at business, with the ambition of raising £5m in five years. Any company prepared to put up £2.5m can have a large gallery dedicated to its generosity. Visitor numbers – around 1.5m a year as against the 2.5m before charges – will be boosted by exhibitions: one on Chinese dinosaurs has just ended; another, of moving dinosaur models from the US, opens soon. The appetite for dinosaurs is unquenchable.

Down Exhibition Road, the Science Museum is already well into the new age. The first things you see on entering are models of the new Fiat. The car company has invested £1m in the museum's current exhibition of Italian design, and expects a little display space in return. The staff have cast aside their prison warder serge and wear bright new uniforms; the lighting has been revamped by John Reed from the National Theatre and the shop modernised by leading retailing expert Peter Leonard, with an immediate 25 per cent increase in turnover. Plans are underway for new galleries on information technology, aviation and computer sciences, with business targeted to pay. Current self-generated income of £2.2m is expected to double in four years.

"We wanted to change the traditional image of the museum," says Neil Cussons, whose vision is a world away from that of the keepers of the V&A. "We commissioned research which showed people thought of the Science Museum as gloomy, dull and dirty. If we don't renew ourselves, displays become dreary and the collections poorly kept. The pressure comes from the public: museum visits have doubled nationally in the last 20 years to 72m. I welcome the greater autonomy which has inspired a new confidence among museum directors."

Of course the revitalisation of South Kensington has been achieved at a startling price: a dramatic fall in the number of people visiting the museums. The Science Museum has not escaped the trend and there have been over 40 per cent fewer visitors since last October. It will take four years to make good the loss, and the casual browser may never come back.

But anyone offended by the throwing open of the museums to the market place, and aghast at the thought of paying to see national collections made up of bequests given in the belief of free access, may be surprised and reassured when they do venture back. There could well be some loss in back room scholarship, but the gains in accessibility, presentation and general *élan* will be considerable.

OBSERVER

The killing of Dirty Den

■ Soap addicts all over Britain will be on the edge of their seats tonight as Thursday's edition of EastEnders begins. The life of Dirty Den, the philandering ex-publican who dominates the BBC's drama of everyday alcoholics, drug addicts and petty criminals, hangs by a string.

Dennis, played by Leslie Grantham, is due to depart from the series, and an episode has already been filmed in which he is shot by a thug after being released from prison.

The problem is that details of the plot were leaked to the press by the disgruntled actor who was due to do the dirty deed, but who was replaced at the last minute by a younger hired gun. The rumour is that an alternative ending has now been filmed, in which Den comes to a sticky end in some other way.

Observer has been in touch with the youthful assassin and has him secreted in a safe house in the north-west where he awaits the BBC's decision on Den's demise, which will be aired tonight.

There are several options. Brian Tilsley, Coronation Street's coiffured garage mechanic, left the series when he was knifed outside a disco earlier this week; so stabbing is probably out. Car crashes are passé: deadly illnesses lack the dramatic element which EastEnders has always provided, on and off the screen. Perhaps Grantham will choke on a mouthful of jellied eels. No one is telling.

New NatWest

■ NatWest may be the 13th largest bank in the world, with \$181bn of assets and almost 4,000 branches, but in America it wants to be seen as a home-town regional bank for the New York suburbs. This low-key policy is meeting unexpected success. Announcing his decision to sell the 35 branch First National Bank of Central Jersey to NatWest for \$282m yesterday, Paul Mallon, the chairman, flattered his new multinational parent with faint praise. "I may be parochial," he said, admitting that his bank only operated in five of New Jersey's 18 counties, "but I believe that NatWest is one of the best banks in New Jersey."

Black fury

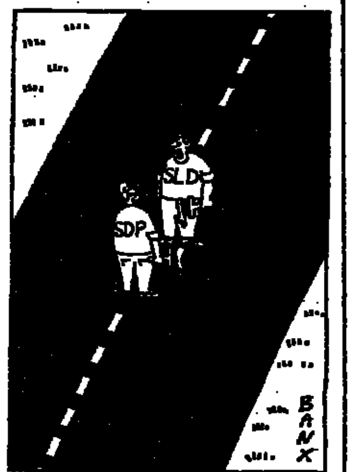
■ Which leading newspaper proprietor recently called another "buffoonish and demagogic"? The answer is Conrad Black – chairman of the Sunday and Daily Telegraph – on Robert Maxwell.

The two of them have been slugging it out in the pages of Canada's Financial Post. Black, who is Canadian-born, takes himself very seriously as a constitutional historian and has a column in the paper, to whose board he belongs. In the last few weeks he has used it to warn Quebec of the dangers of going too far in the pursuit of the paramountcy of the French language. The articles have been balanced: certainly not anti-Quebecois.

Then in stepped Maxwell, who made a speech in Quebec on February 6, deploring the Black position and presenting himself as a "substantial investor in Quebec" and friend of Robert Bourassa, the Premier. Black responded by accusing Maxwell of giving a "scandalous and grotesque misrepresentation" of his views.

"It has been my policy as a British national newspaper proprietor," Black wrote, "never to encourage or even tolerate ungenerous reflections on my fellow newspaper chairmen . . . but I would be remiss if I allowed to pass without comment your buffoonish and demagogic insertion of yourself, at my expense, into what is a serious question of public policy."

Maxwell has replied that he is sorry Black is in "such dudgeon," but hopes that "people like you and me, prominent in public life" can continue to debate trenchantly in public "while remaining perfectly good friends and colleagues in business." Since Maxwell has repeated his allegations that Black is encouraging the English-speaking population to leave Quebec, that may be wishful thinking. Black says that Maxwell only invested in Quebec in the first place after taking his advice.



"No, you move out of the way."

Patronage

■ Perhaps nowhere does political patronage work quite as fast as in Italy. The election of Arnaldo Forlani as the Christian Democrat Party's secretary in succession to Ciriaco De Mita has already triggered speculation about imminent changes in key positions in the Rai, the state radio and television service, Iri, Italy's giant industrial holding company, and some banks.

Romano Prodi, the Iri chairman, is in any case due to leave in October, but Forlani's arrival is seen as a sign that the succession will go to Franco Piga, chairman of the Consob, the stock exchange regulatory agency. The changes in broadcasting could happen more quickly.

In the banks, Piero Barucci's present position as chairman of the Italian bankers' association should keep him at the top of Monte dei Paschi di Siena for the time being, but another De Mita friend, Gianni Zandano, the president of San Paolo di Torino whose term officially expired some time ago, may now be contemplating his future.

Absent Young

■ Lord Young of Graffham, the Trade and Industry Secretary, has upset Tory backbench peers as well as the Opposition benches in the Lords by his prolonged absences from the government front bench during debates on the Companies Bill.

Young has chosen to delegate the task of replying to the detailed and often complex issues raised during the committee stage of the bill to junior government spokesmen. The occasions on which they have found it necessary to promise to write to peers to explain points they have not been able to deal with at the Despatch Box have been so numerous that one Labour peer suggests that the bill will be the first measure to reach the statute book as a result of a correspondence course.

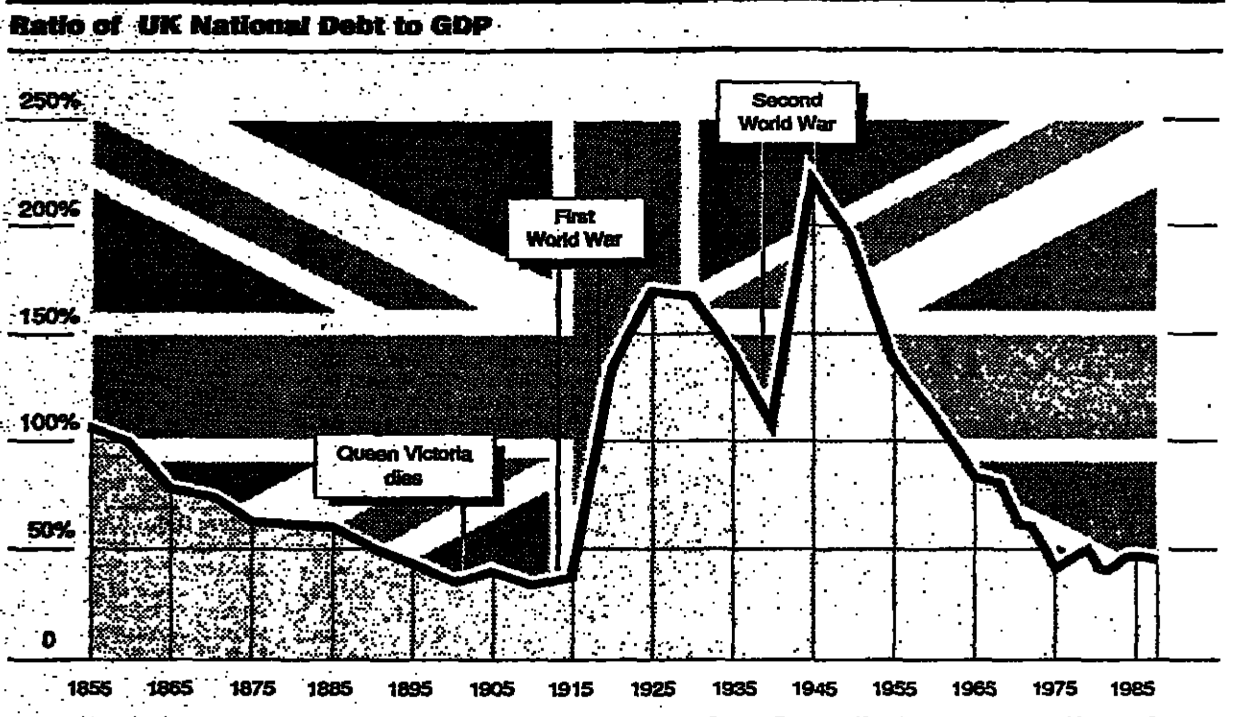
Comforting

■ Heard from an American lady in Fleet Street yesterday: "The City is my favourite part of London – so many churches to go into when it rains."

ECONOMIC VIEWPOINT

Don't pretend to repay that Debt

By Samuel Brittan



The UK's net public sector debt amounted at the end of March 1988 to £171,600bn or 38.6 per cent of gross domestic product. The Public Sector Debt Repayment for 1989-90 has been estimated by the Institute for Fiscal Studies and Goldman Sachs at £17bn on the assumption that Budget changes are limited to the indexation of personal allowances and the revalorisation of specific duties.

Why not then pay off the National Debt, a notion being sedulously pedalled from 10 Downing St? Indeed, on superficial arithmetic, it could be paid off in less than 10 years. For the £17bn per annum now paid by the public sector in debt interest would itself decline rapidly, making for higher surpluses and still faster repayments.

The summary answer for the busy executive is that paying off the National Debt is an absurd objective of policy based on a confusion between the public sector and a pretty crude form of personal finance.

I say pretty crude, because as one colleague commented: "It suggests that I should sell my house, use the proceeds to pay off the mortgage and buy a tiny dwelling in which I would live in squalor, just to say that I am not in debt."

The advocates of repaying the National Debt commit a very similar fallacy. For they forget that the public sector has assets, which in 1985 exceeded liabilities to provide a net worth of £220bn. It has always been accepted that there was a difference between pure deadweight debt incurred to finance a war or a spending spree and debts which are offset by assets of definite value and are normally turned over rather than repaid.

The main public finance gain from repaying the National Debt would be a very simple one, namely the elimination of the £17bn of annual interest payments already mentioned, which is equivalent to roughly 10 pence off the basic rate of income tax.

But it is surely irrational to pay higher taxes than we need for the next 10 years in the hope of a sudden drop of 10p after a decade. The rational citizen would anticipate events by bringing forward his or her consumption on the basis of the anticipated tax cuts. So the effects of super large Budget surpluses on public sector savings would be partially or completely cancelled out by still lower or even negative personal savings.

Abrupt changes in tax rates without pressing economic reasons are in any case distortions to be avoided. Instead of waiting for a sudden 10p tax cut after a decade it would surely be better to have gradual remissions building up in the intervening years. One possible picture would be that of a National Debt to GDP ratio which is gradually getting smaller, but never reaches zero. Indeed, this is exactly what has happened.

In absolute cash terms the National Debt has never fallen significantly. Any repayments from Sinking Funds in Victorian times were too slight to make much impact. Nevertheless the growing prosperity of the 19th century allowed the ratio of National Debt to GDP to fall from about 100 per cent in 1855 to below 50 per cent on the eve of the First World War. It rose rapidly again during the two world wars, but fell very sharply after 1945, mainly due to the effects of inflation in wiping out the holdings of those who had been misguided enough to keep their savings in gilts or other fixed interest forms.

But from about the time of the stabilisation package arranged with the International Monetary Fund by the Labour Government in 1976 and on into the Thatcher Government from 1979 onwards, the public sector debt ratio stopped falling and even rose slightly at times. It was only with the low borrowing and eventual Budget surpluses experienced since 1986 that the debt ratio has started to fall again.

Strictly speaking there does not have to be a Budget surplus or even balance for the public sector debt ratio to decline. It could do so at zero inflation with a borrowing requirement of anything below 1 per cent of GDP. The simpler target of a Budget balance leaves a margin to spare.

Everything said so far takes the National Debt repayment idea with a seriousness it does not deserve. The truly rational reaction of a citizen on hearing the announcement of a series of surpluses designed to repay the National Debt would be not to anticipate tax cuts a decade later, but to anticipate higher public expenditure long before. Already, one only has to tune in by chance to a broadcast discussion on any worthy subject — whether education, health or the environment — to hear someone saying: "There is no excuse for the Government not spending more now that its coffers are so full." The only surprise is that these arguments have been so long in getting off the ground.

There is another important point which may appear presentational. There has been a new fashion in Budget principles almost every other year. *Originally*, government borrowing was to be held down to reduce the load on interest rates and monetary policy. Then we had a policy of running a small deficit to stabilise the public sector debt ratio. This was followed by the policy of balancing the Budget over the cycle as a whole. It would strain credulity too much to change to yet another principle of running a permanent surplus to repay the National Debt.

Let us, nevertheless, suppose that the Chancellor does not feel able to remit taxes enough to prevent his surplus from rising. It would be simpler and more accurate for him to say that until he is sure that inflation is on the turn, he cannot afford to take any risks with demand; and he has therefore to postpone the move from surplus to balance.

If he wanted to use some economic code words he could talk about "model uncertainty" and "announcement effects." The truth, however, is that the habit of purdah, which has *prevented the Chancellor from* explaining to the public that a neutral Budget requires tax remissions, is likely to cost the taxpayer a good £2bn in the next financial year.

* * *

So far I have taken at its face value the argument that prospective surpluses would allow the Government to repay the National Debt in 10 years or less.

But a closer examination of the composition of the Public Sector Debt Repayment casts grave doubt on the prospect. An examination by Chris Dillow of the Swiss Bank Corporation's former UK Economics Department manages to reduce the underlying repayment by over £15bn per annum. The deductions are of very different kinds. The £7bn for asset sales, including council house sales as well as privatisation, seems fair enough. For revenue from such sources basically substitutes one form of financing for another and only shows up as debt reduction because of accounting conventions. Dillow also estimates that the surplus is swollen by £4bn *per annum* by *temporary* cyclical forces.

Other deductions are more debatable. The expected £1.5bn repayment from public corporations is a partly pre-privatisation phenomenon which will not continue indefinitely. Nor will government oil revenues, still running at nearly £3bn a year continue at that level.

On the other hand, there are always going to be some windfalls on non-recurring items in the Government's or any other organisation's cash flow. Moreover, if one is trying to make full corrections, one would also have to deal with distortions the other way. *There is the use of revenue for asset* accumulation already mentioned — despite the problems of deciding in what sense schools and hospitals are income generating. There are other favourable corrections, much loved by some economists, to take account of the fall in the real value of government debt, even during periods of moderate inflation.

The attempt to work out a single "true" public sector balance is probably futile. If I were the Chancellor I would dwell quite heavily on the non-recurring aspects of some revenue items to knock on the head the belief that there exists a vast reserve available to finance public spending. I would also send proposals to the Treasury Committee for a common-sense and unambitious improvement in the public sector accounts by deducting just asset sales — without attempting to be too comprehensive or too consistent. In addition I would also make a "memorandum estimate" of the business cycle element in the surplus without attempting the hazardous job of constructing a full cyclically corrected Budget balance.

Some people argue for a long-run public sector surplus to add to the national savings ratio. In my view the idea is inherently objectionable and is in any case unlikely to work. But the issue should be discussed on its merits, and not muddled by spurious talk about paying off the National Debt.

BOOK REVIEW

A most humble public servant

AN INDUSTRIALIST IN THE TREASURY
By Edwin Plowden
André Deutsch £15.95

Lord Plowden is "the Great and the Good" made flesh. The phrase refers to Britain's collection of personages, some able and some merely distinguished, who can be relied upon to perform a public service with enthusiasm and honesty. Revolutionary Thatcherites tend to sneer at such people, as do those on the far Left who hope to turn the world over. The *rest of us can take "the Great and the Good"* at face value, as referring to some of the finest, although not always the most far-seeing, persons of influence the country has produced.

Having served as Chief Executive at the Ministry of Aircraft Production during the Second World War, Lord Plowden became the then Labour Government's Chief Planning Officer in 1947. He stayed on at R.A. Butler's request when the Conservatives took office in 1951. Three years later he became the first chairman of *the Atomic Energy Authority*. He took over at Tube Investments in 1960, but continued to do his bit for the rest of us by serving on a wide variety of Government committees.

These recollections, which mostly cover the years 1947-51, are a pleasure to read. The style is a mixture of two admirable traits: the restrained, economical, prose of a well-trained Treasury man and the gentle humour of a Plowden. He writes of Labour's post-war Chancellor, Stafford Cripps, as a lawyer *par excellence*. "He would show the most remarkable mastery of facts and clarity of exposition even when he might not actually fully understand a subject."

It also happens that Edwin Plowden was present at a number of important moments in those formative years. It was he who set sail with an ailing Cripps and an ill Foreign Secretary Ernest Bevin on the *Mauretania on August 29, 1949*. Their mission was to tell the Americans that sterling would be devalued, and to negotiate support in return. The then rate was $4.03 to the pound. In Washington, where the British delegation finally got down to details, the internal debate ranged between $2.80 and $3.20. Lord Plowden and other officials wanted the lowest figure. "Bevin turned to me and asked: 'What effect will a rate of $2.80 have on the price of a standard loaf of bread?' Anticipating such a question, I had cabled to London for this information. I was able to give him an immediate reply and he nodded."

The following year the Government faced an ultimatum from the French. Join the talks on what became the European Coal and Steel Community or be left out while six continental countries went ahead. Young Plowden and his colleagues tracked down Herbert Morrison, who was acting Prime Minister at the time, to the Ivy Restaurant. They all retreated to a passage/storeroom at the back. After a pause for thought, Morrison said "It's no good. We can't do it: the Durham miners wouldn't like it." Britain thereupon left western Europe to Franco-German management for another two decades.

Again, when Lord Plowden left the Treasury to chair the Atomic Energy Authority he was asked by Churchill, then back in Downing Street, what it would cost to make a hydrogen bomb. He reported the price to the Prime Minister, who replied: "We must do it. It is the price we must pay to sit at the top table."

It is plain that Britain's post-war cabinets, whether Tory or Labour, were the servants of events; nor was the Treasury any more their master. Lord Plowden excuses the collective failure to see Europe as his good friend Jean Monnet saw it — as a burgeoning independent federation — by pointing out that the British people were not ready to abandon either the Commonwealth or the special relationship with the US. "At any time, it is all too easy to look back at our earlier selves and to criticise them for their lack of vision of the future and their preoccupation with the past," he writes.

Yes, but why does one get the feeling that on the big issues (like the EC), little has changed?

Joe Rogaly

LETTERS

'We can wait no longer'

From Mr David Davis MP.

Sir, You rightly pointed out in your editorial "Opening up the docks" (February 16), that the case for abolition of the National Dock Labour Scheme is overwhelming. In making the judgment that the abolition of the scheme could be negotiated, no doubt you reflect the hopes (if not the expectations) of most reasonable people.

Certainly, those of us on the Government backbenches in the House of Commons who have made the running in the campaign to get the scheme abolished have sought a *negotiated solution if at all possible*. In my own Ten Minute Rule Bill this negotiated option was proposed — to the unyielding *opposition* of Labour MPs sponsored by the Transport and General Workers Union (TGWU); in my paper "Clear the Decks" it was mentioned — and ignored; at the Centre for Policy Studies conference on the scheme, my recommendation of a negotiated solution was spurned by the dockers' leader, John Connelly, and his colleagues.

Unfortunately, members of *the registered dock workers* section of the TGWU seem determined to make martyrs of themselves in defence of this obsolete monstrosity. We have exhausted the options, and can wait no longer.

Each day that passes sees another decision to locate a factory in order to exploit the single European market after 1992. Yesterday, Nissan; today, Toyota; tomorrow — who knows?

The fact of the matter is that many of the scheme ports are in ideal locations to exploit and serve the European market — *but will not do so as long as* the scheme creates a *cordon sanitaire* which no sensible industrialist will breach.

In my view, there are 50,000 to 100,000 jobs to be had as a result of this, by abolition of the scheme. But the investment decisions are being made now. By 1992 the investments will all be "sunk costs," and will not easily be moved (certainly not if they are in Spain or Italy rather than Yorkshire and Humberside).

So while we would all love to see a negotiated outcome to this problem, we can no longer wait on the TGWU's *amour propre*. Negotiation we would like, but action we need. Unfor*tunately the costs of delay now* dwarf the costs of conflict.

David Davis,
House of Commons, SW1

Good reason for going local

From Professor D. Greenaway.

Sir, William Dawkins's "Some original ideas on the limits to free trade" (February 10) identifies the proximate causes of a growing interest in local content rules as: trade frictions with Japan; the growing complexity of consumer electronics; and a desire on the part of Japanese companies to be located near the market.

The real driving force *is* hinted at elsewhere in the article: protectionism.

In recent years some European governments have used devices like voluntary export restraints and anti-dumping action to slow the growth of imports of *consumer electronics* and motor vehicles (from Japan in particular). Some companies concerned have reacted by *setting up plants* behind the restraints. Nissan is a good example.

Can we really believe it *would have* located here in the absence of quantitative restrictions of various forms in the UK, France and Italy? Without them there would have been no real incentive to invest; it would have exported direct from "home base." The local content requirement *is* then imposed for two reasons: to blunt the competitive edge of the new firm and to redistribute *some of the gains these* firms realise by being located in a sheltered market. As with most protectionist measures, *producers* gain and *consumers* pay the price.

The prospect of a "Fortress Europe" has increased its attraction as a location for direct investment — not necessarily to gain a presence in the single European market *per se*, but to circumvent possible restraints on access to that market.

Seen thus, current discussions on local content can be interpreted as a debate about the appropriate entry price.

D. Greenaway,
Department of Economics,
The University of Nottingham,
University Park,
Nottingham.

Rights to 'rights'

From Mr Stephen Hester.

Sir, The letter from Mr Sandland (February 20) in support of pre-emptive rights and the small shareholder seems to miss some critical points.

It is uncontroversial to assert that companies should attempt to raise new capital on the least costly manner. Cost can indeed be measured by the resultant value of the shareholders' investment in the company. But it is not true that selling new shares outside the rights system at a discount necessarily transfers wealth from existing shareholders, as compared to shares being sold, usually at larger discounts, via the rights system.

Shareholders' return on investment is measured by the combination of income received and the capital gain implicit in a rising share price. The net proceeds available to shareholders from selling their "rights" in the market almost never equals the theoretical value arising from the discount offered.

Furthermore, share prices after a rights issue are often depressed — more supply, no more demand — and certainly *no long-term credit accrues to* the company from shareholders' receiving "extra value" by way of the rights. A smaller discount offered to new investors which avoids market depression may often increase the value of existing shareholders' investment, particularly from the perspective of the small shareholder with higher costs and no income to derive from the sub-underwriting cartel.

Second, the belief that defending pre-emptive rights encourages individual share ownership seems particularly questionable. Pre-emptive rights concentrate new share ownership in the hands of existing institutional shareholders — the small holder is the investor least likely to have further disposable income to invest at the time of a rights issue.

It is no coincidence that countries like the US, with broader share ownership, have an efficient retail brokerage system that survives from promoting and maintaining this broader ownership. Retail share ownership is best promoted around corporate events — such as new issues of shares. The experience of UK privatisation issues further demonstrates this point.

The connection between US share brokerage successes and UK privatisation issues is an absence of pre-emptive rights which inhibit the flow of stock and commissions that in turn sustain retail brokerage.

Few people dispute the ulti*mate rights of shareholders to* influence the capital structure of companies. It is apparent, however, that a restrictive application of pre-emptive rights may actually defeat the objective of defending value — most particularly for the small shareholder.

Stephen Hester,
Credit Suisse First Boston,
2a Great Titchfield Street, W1

1992 action strategy

From Mr Tudor Rickards.

Sir, Recently a young German engineering student, just beginning work on the sand*wich component of his degree,* visited me.

His employer, the director of an innovation service firm (a *firm specialising in transferring technical services between* companies), had sent him immediately on a three-week *immersion course in business* English. He had also been given a practical project: a list of 100 UK-based business leads to contact. (This even before he began work in his employer's German offices.)

This anecdote seems to me to capture the effort and initiative required of organisations striving to take advantage of the changes in the European Community as we approach 1992's single market. It is imperative that UK businessmen match such efforts.

But it will be dangerous complacency to assume that we shall only need English to succeed in international mar*keting. This may well prove* necessary, but not sufficient. We shall also have to do business in the language of each local market.

I echo calls for firms to set up action groups to study their 1992 strategy? An important *agenda item for such groups is* to establish a strategy for recruiting and developing people to communicate in the language of their key markets.

Tudor Rickards,
Manchester Business School,
University of Manchester,

FINANCIAL TIMES
Thursday February 23 1989

Khomeini uses Rushdie affair to denounce liberals

AYATOLLAH Ruhollah Khomeini, Iran's 86-year-old spiritual leader, yesterday seized on the Rushdie affair to denounce liberals in his regime who have tried to soften the country's hardline Islamic image, writes Victor Mallet in London.

"As long as I am alive I will not let the Government fall to the liberals," he said in a speech which could have far-reaching effects on Iran's domestic and foreign policies. "I will cut off the influence of American and Soviet agents in all fields."

Ayatollah Khomeini's emotional condemnation of Iranian moderates, reported by Tehran Radio, is likely to discourage those who have tried in recent months to improve Iran's international relations and liberalise internal politics.

Last week the Ayatollah told Moslems to kill Mr Salman Rushdie, the Indian-born British novelist, for his book The Satanic Verses. His repeated death threats provoked outrage in the West and diplomatic sanctions from the European Community.

In his declaration yesterday, Ayatollah Khomeini said the dispute over Mr Rushdie had shown Iran the errors of a "naive foreign policy".

"The world of arrogance and barbarism unveiled its true face of chronic enmity against Islam in the Rushdie affair," he said. "We should not for the sake of pleasing several sell-out liberals act in a way that gives... the impression that the Islamic Republic of Iran is deviating from its principled positions."

Several Iranian leaders have this year – 10 years after the overthrow of the Shah – been advocating a more open attitude to the outside world as the country tries to rebuild its economy following the Gulf war against Iraq. Among them are Hojatoleslam Ali Akbar Hashemi Rafsanjani, the powerful Speaker of Parliament and military commander-in-chief, and Ayatollah Hussein Ali Montazeri, Ayatollah Khomeini's designated successor.

Iran remained defiant yesterday in the face of increasing hostility from the West. President Ali Khamenei, speaking in Belgrade at the end of a three-day official visit to Yugoslavia, reaffirmed the death threat against Mr Rushdie.

He said an arrow of retribution had been fired at Mr Rushdie. When asked to clarify the remark, an Iranian interpreter said that President Khamenei had said in Farsi: "An arrow is travelling towards the heart of the blasphemous bastard Rushdie. He must be killed."

A petrol bomb was thrown yesterday at the mosque in Regent's Park, London, and a man was arrested and charged with arson. Writers, publishers and organisations opposing censorship have formed an international committee for the defence of Mr Rushdie and his publishers.

EC stand-off with Iran may benefit East

Europe could lose trade in dispute over Rushdie, FT Correspondents report

WHILE the West was in uproar this week over Ayatollah Khomeini's call to Moslems to kill Mr Salman Rushdie, the British writer, Iran quietly opened a consulate in the Chinese port of Shanghai.

The implications will not be lost on those seeking a share of the potentially lucrative reconstruction business in Iran following last year's ceasefire in the Iran-Iraq war.

Iran's revolutionary leaders have long emphasised the need to avoid dependency on West or East, and the point was underlined this week after most Western European countries decided to withdraw their ambassadors from Tehran because of the Rushdie affair.

"You, Britain, Sweden, Denmark, Italy, Norway and Germany – don't threaten us!" said Mr Ali Mohammad Besharati, Iran's Deputy Foreign Minister. "Such threats have always brought positive results for our people and losses for you." The English-language Tehran Times newspaper said the Soviet Union would benefit from Western Europe's diplomatic sanctions.

Neither the Europeans – with Britain and the other 11 members of the European Community in the forefront of the diplomatic tussle with Iran – nor the Iranians have so far threatened economic sanctions against each other. European companies want Iran's oil money, and Iran needs expertise and equipment to repair its oil industry and infrastructure after the war.

Mr Bahaddin Bazargani, Iranian economic attaché in Bonn, warns that EC trade sanctions would be unproductive. "We could just transfer our orders to other countries like South Korea, North Korea, Singapore and Japan. We would also produce more of the things we need in Iran," he said. The total value of Iranian imports this year is likely to be about $10bn, he added, of which 75 per cent will come from Europe.

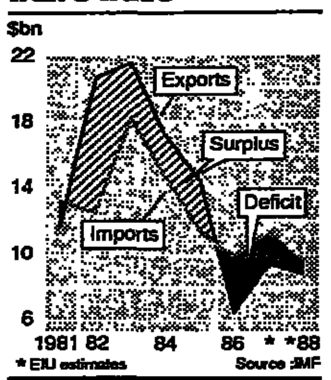
But the stand-off over the Ayatollah's death threats will certainly make business more difficult for the EC countries involved, especially Britain, and is likely to improve the chances of Asian and Eastern European nations already involved in countertrade deals with Iran. President Ali Khamenei has been visiting Yugoslavia and Romania.

Even before the Rushdie affair, Iran's trading partners faced difficulties with Iran's shortage of cash, its unwillingness to borrow for political and religious reasons, and its internal power struggles.

Britain, West Germany and Italy are already feeling the economic impact of the Rushdie affair, while French industrialists are anxious to continue expanding their Iranian business. West Germany and Japan have been the largest exporters to Iran, followed by the UK and Italy.

West Germany, as Iran's biggest trading partner in 1988, is resisting any suggestion of trade sanctions, but officials say the Iran-EC dispute is causing problems with talks on old Iranian debts and proposals for between DM3bn and DM5bn ($1.63bn and $2.7bn) in fresh state-guaranteed credits from Bonn. In the first 11 months of 1988, West German imports from Iran were DM1.01bn (mainly oil) and exports to Iran were DM2.5bn – mainly investment goods, plant construction, chemicals and pharmaceuticals.

Iran's trade



Iran's trading partners

Exporter	Value ($bn 1987)
Germany	1.581
Japan	1.055
Italy	0.506
UK	0.506
Turkey	0.440
Netherlands	0.287
Singapore	0.073

Source: IMF

Iran wants German help to finish the $3bn nuclear power station at Busher which has been built by Siemens-KWU. It had been expected that KWU engineers would return to complete the project when the war ended, but they have not yet done so because of a dispute over sensitive equipment. Iran is threatening to ask the East Germans or another Eastern bloc country to finish the job.

Britain's exports to Iran fell to £248m ($434m) in 1988 from £308m in 1987, but there had been hopes of a revival based on reconstruction and the recent agreement – now overtaken by events – to restore full diplomatic ties. The UK Government's Export Credits Guarantee Department says demand for its cover increased after the end of Iran-Iraq hostilities in the middle of last year.

Despite past difficulties, Britain has had nearly a 10 per cent share of Iranian imports, and Iran was Britain's eighth most important market (out of 24) in the Middle East region. However, a British Technical Week planned for next month in Tehran is now unlikely to go ahead.

More than 30 companies were hoping to attend to discuss the power generation industry and improvements to Iran's production and export of hydrocarbons and petrochemicals.

In France, President François Mitterrand yesterday denounced Iran's attack on Mr Salman Rushdie as "the absolute evil", but for French industrialists it is business as usual.

French officials believe they have been left behind by West Germany, Japan and Italy in the race to reopen trading relations with Iran and profit from reconstruction. They are now impatient to catch up – a process they thought they had begun with the much-trumpeted visit of Mr Roland Dumas, the Foreign Minister, to Tehran earlier this month.

Even then, France was embarrassed by a sudden row over whether it had promised to release the terrorist Anis Naccache from prison in return for the freeing of the last French hostages in the Lebanon.

Mr Roger Fauroux, French Industry Minister, said on Tuesday that efforts to improve trade ties with Iran should continue despite the Rushdie affair, although his own planned visit to Tehran is likely to be affected by the EC ban on high-level contacts with Iran.

French businessmen appear to be taking the industry minister at his word. Peugeot, which in January signed a contract to ship engines and car kits worth about FFr10bn ($1.58bn) over 10 years, has already despatched the tooling and the first batch of kits of its 405 model for assembly in Iran.

Alsthom, the engineering group which is negotiating a FFr600m contract for the supply of two gas turbines to be sited near the Arak petrochemical plant, is likewise understood to be pressing ahead with its contacts.

Paribas, the investment bank, reopened its Tehran office last month and, like Banque Nationale de Paris (BNP), is working again with National Iranian Oil Company, the state petroleum group.

In Italy, the Rushdie affair is a sudden setback for hopes of normalising trade with Iran after years in which relations have been poisoned by Tehran's refusal to make payments to Italian companies involved in the construction of the new port at Bandar Abbas.

This dispute was finally settled last month and since then Italian companies have been gearing themselves up to win a share of Iranian post-war contracts.

The first casualty of the EC decision to withdraw ambassadors is certain to be a trade delegation organised by Confindustria, the main representative of Italian industry, which was due to leave for Tehran in early April.

Soviet party officials survive reformers' election challenge

By Quentin Peel in Moscow

LONG AND stormy election meetings in many parts of the Soviet Union have drastically reduced the number of candidates standing for the country's new Congress of Deputies next month, according to the latest reports reaching Moscow.

No final figures are likely to be published before next week, after the current phase of selecting candidate lists finishes on Friday. However, indications so far suggest that many old-style Communist Party officials have succeeded better than reformers in getting onto the lists.

In the key Ukraine republic, the second most populous in the country, a string of top Communist Party officials, including Mr Vladimir Shcherbitsky, the veteran party leader and Politburo member, have managed to get themselves nominated unopposed in remote rural seats.

Details of the situation in the Ukraine, in clear conflict with the spirit of Mr Mikhail Gorbachev's electoral reforms, emerged yesterday as the Soviet leader ended the third day of a major pre-election tour of the republic.

At the same time one of the most outspoken champions of perestroika, Mr Vitaly Korotich, the editor of Ogonyok magazine, was axed as a candidate by an election meeting in his Moscow constituency.

At a separate Moscow meeting, however, Mr Boris Yeltsin, the popular but disgraced former Moscow city Communist Party leader, was successfully nominated as a candidate in the final poll on March 26.

And in at least one area – the Baltic republic of Lithuania – the election has taken on almost a multi-party look, and aroused increasingly angry exchanges, with candidates for the Sajudis nationalist movement standing against many top Communist Party officials.

Sharp questioning on the meaning of democracy, as well as on the state of the economy, has been thrown at Mr Gorbachev on his Ukrainian tour, although little has crept into the official television and press coverage.

Unofficial meetings in Kiev last weekend sharply attacked Mr Shcherbitsky, linking his name to Mr Leonid Brezhnev, during whose rule as Soviet leader he took over as Ukrainian party leader.

Mr Shcherbitsky, one of only two members of the Politburo told to stand for election in their own areas, has got himself nominated for a rural constituency outside Dnepropetrovsk, the industrial city where he was once party leader. Although he was put forward in several constituencies, he has chosen to stand in the most obscure.

Other key party figures standing unopposed include Ms Valentina Shevchenko, chairman of the presidium of the Supreme Soviet, Mr Nikolai Golushko, chairman of the KGB – the state security committee – in the republic, and Mr Yevgeny Katchalovsky, the First Deputy Prime Minister.

Back in Moscow, Mr Yeltsin's confirmation of a candidate for Moscow came only after a stormy 14-hour meeting, which cut the list of candidates from 10 to two. He will face a candidate with strong official support, Mr Yevgeny Brakov, director of the giant Zil car factory in the city.

Mr Korotich, a highly controversial editor, who was enthusiastically nominated by a packed meeting just one month ago, failed to make the final selection in the Moscow district of Sverdlovsk.

It is in Lithuania where anything approaching a genuine choice is being offered to Soviet electors, resulting in a serious strain in relations between the local Communist Party leadership and the Sajudis movement. A plenum of the party accused Sajudis of including extremists in its ranks.

Urgent changes sought in European education

By David Thomas, Education Correspondent, in London

EDUCATION and training needs to be transformed urgently throughout Europe if companies are to remain competitive with their US and Japanese counterparts, according to a report published yesterday by a group of leading European companies.

The report, prepared by the Round Table of European Industrialists, claims to be the most extensive investigation ever of education on a Europe-wide basis. It was handed to Mr Jacques Delors, European Commission president.

The study was undertaken with the help of 24 large companies from 11 countries, which included Société Générale de Belgique in Belgium; Nokia in Finland; Thomson in France; Waterford Glass in Ireland; Olivetti in Italy; Philips in the Netherlands; Norsk Hydro in Norway; Telefonica in Spain; Volvo in Sweden; Nestlé in Switzerland; BAT Industries in the UK; and Siemens in West Germany.

A survey of industrial opinion revealed dissatisfaction throughout Europe with the educational system, especially when compared with that in the US and Japan. Discontent centred on standards in primary and secondary schools and teachers' indifference to industry.

Pointing to the twin pressures of a sharp decline in the numbers of young people throughout Europe and spiralling demand by companies for highly trained manpower, the report warns that Europe could lose its technological edge without sweeping educational reforms. Among the recommendations in the report are:

- Europe-wide education. Common core curricula, covering subjects such as maths and sciences, should be established throughout Europe to encourage the free movement of labour. Degrees and professional qualifications must be transferable across boundaries. Each country's school curriculum should contain at least three European languages.
- Industry-education links. Industry's influence on curricula and qualifications must be increased.
- Life-long education. Professional competence acquired in work must be treated by universities as credit towards a degree.
- Primary and secondary education. Teachers must be regularly re-trained to keep them in touch with changes in technology and the world of work.

The 180-page report calls for new Europe-wide bodies, similar to those already existing in research and development, to promote these initiatives.

Education for Life: A European Strategy. Butterworths, Borough Green, Sevenoaks, Kent TN15 8PH, England. £40.

UK schools opt out, Page 6

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Dubrovnik	C	15	59	Malta	S	19	66	Rhodes	F	16	61
Algiers	F	17	63	Edinburgh	F	5	41	Manchester	S	8	46	Rio de Jo	F	35	95
Amsterdam	S	8	46	Faro	S	16	61	Manila	C	31	88	Rome	C	14	57
Athens	S	17	63	Florence	C	12	54	Melbourne	S	21	70	Salzburg	F	8	46
Bahrain	C	23	73	Frankfurt	C	4	39	Mexico City	F	24	75	San Francisco	F	12	54
Bangkok	F	33	91	Funchal	F	15	59	Miami	F	23	73	Seoul	S	6	43
Barcelona	S	14	57	Geneva	F	12	54	Milan	Fg	8	46	Singapore	S	32	90
Beirut		–	–	Gibraltar	S	18	64	Montreal	C	-1	30	Stockholm	S	3	37
Belfast	S	5	41	Glasgow	S	5	41	Moscow	C	1	34	Strasbourg	C	8	46
Belgrade	F	8	46	Guernsey	R	8	46	Munich	C	6	43	Sydney	S	25	77
Berlin	S	6	43	Helsinki	S	2	36	Nairobi	F	27	81	Taipei	F	21	70
Biarritz	S	14	57	H Kong	F	19	66	Naples	F	15	59	Tangier	C	15	59
Bombay	S	30	86	Innsbruck	F	7	45	Nassau		–	–	Tel Aviv	R	17	63
Bordeaux	C	13	55	Inverness	H	3	37	New Delhi	S	20	68	Tenerife	F	19	66
Brussels	F	8	46	Islamabad	F	18	64	New York	R	9	48	Tokyo	F	8	46
Budapest	S	7	45	Istanbul	F	13	55	Nice	F	14	57	Toronto	C	-2	28
B. Aires	R	28	82	Jakarta	R	29	84	Nicosia				Tunis	S	17	63
Cairo	F	17	63	Jersey	R	8	46	Oporto	C	12	54	Valencia	S	17	63
Cape Town	S	25	77	Jo'burg	R	21	70	Oslo	C	3	37	Venice	R	8	46
Caracas	C	24	75	Lima	F	27	81	Paris	C	7	45	Vienna	S	8	46
Casablanca	C	16	61	Lisbon	C	14	57	Peking	S	5	41	Warsaw	F	4	39
Chicago	F	-9	16	London	R	8	46	Prague	S	4	39	Washington	R	8	46
Cologne	R	4	39	Los Angeles	F	15	59	Reykjavik	F	-5	23	Zurich	C	8	46
Copenhagen	F	5	41	Luxembourg	C	4	39								
Corfu	F	16	61	Madrid	S	14	57								
Dallas	F	2	36	Majorca	S	17	63								
Dublin	F	5	41	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

United front on inflation

Continued from Page 1

trial countries, especially the UK.

Mr Pierre Bérégovoy, his French opposite number, added that because of its trade deficit, France would in the next two years limit its tax cuts to what is necessary to achieve a harmonisation of capital taxation in the European Community, maintaining its budget deficit at about 1.6 per cent of gross domestic product.

West Germany, meanwhile, with its sizeable balance of payments surplus, would lower direct taxes in 1990. Mr Karl-Otto Pöhl, governor of the Bundesbank, noted that last month's unusually high inflation figures in West Germany were "not dramatic" if adjusted for the one-off effect of a consumption tax.

The Franco-German council also agreed on new proposals for using the European Investment Bank (EIB) to improve the allocation of capital throughout Europe. France and West Germany will propose to other EC members that the EIB should make its bond issues more systematically in countries with lasting current account surpluses.

Fall in markets after US figures

Continued from Page 1

● US financial markets dropped sharply in reaction to the consumer prices figures and inflation warnings, Janet Bush in New York adds.

The most dramatic reaction yesterday was in the stock market where selling began immediately after the figures were released and accelerated during the day, wiping out nearly all the sharp gains made during the previous four sessions.

THE LEX COLUMN

Downfall of the high-yielders

The foreign exchange markets are notoriously fickle, but there is just a hint that economic fundamentals may be starting to reassert themselves. This must be bad news for all those currencies which have been propped up by high interest rates. The 8 per cent drop in the Australian dollar over the last fortnight, despite local interest rates of 16 per cent-plus, is the most dramatic example of domestic economic worries taking centre stage again. But the US dollar, sterling and several more esoteric high yielding currencies have also been coming under pressure.

This partly reflects a belated recognition that interest differentials have begun to narrow. Since UK base rates were raised to 13 per cent in November, short-term West German interest rates have risen by a third; and whereas worldwide interest rates are still rising, there had been a growing feeling in the UK that the next move in interest rates would be down rather than up, and sooner rather than later. This is now looking hopelessly optimistic, which helps explain yesterday's drop in the London equity market.

However, as Drexel Burnham Lambert's chief economist pointed out in London yesterday, there are plenty of reasons – ranging from accelerating US inflation to the UK trade deficit – to suggest that the bear market in the dollar is not over. Meanwhile, a strong pound may suppress inflation, but is delaying the improvement in the balance of payments, and this is not always going to be tolerable.

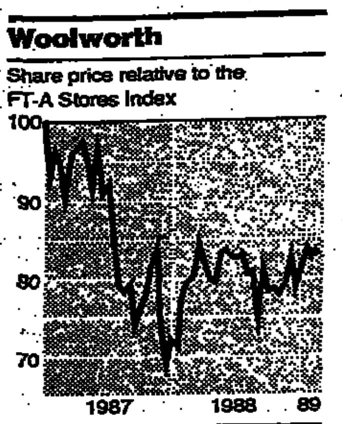
Stock Exchange

The style makes it hard to be sure, but it sounds as if the Bank of England is getting cross with the Stock Exchange again. As Mr Pen Kent of the Bank nearly said in a speech last night, London's market practitioners risk harming the national interest by breaking up the central market with their petty in-fighting. What is more, it is now urgent that the Exchange should introduce a twentieth-century system of settlement, with no more bits of paper: and if private investors feel lost without their share certificates, hard luck.

What the Bank is worried about, as in the days before Big Bang, is that the City's parochial greed could drive the business overseas. As Mr Kent argues, financial markets naturally tend towards centralisation, if only on grounds of pricing efficiency and economies of scale. If London's screen-based system falls apart, through the regressive new rules on market-making or because the institutions are dealing off-market anyway, the UK will be swimming upstream. Unification of the exchanges in Germany, for instance, has been partly prompted by business in German equities migrating to London. If the London exchange disintegrates, the flow of business could reverse.

Here, as often, there is the disturbing impression that the Bank is having to do the Stock Exchange's thinking for it. But the problem may now lie beyond the Exchange's scope. Mr Kent worries about "a series of Pyrrhic victories for special interests" which might finish London as a market. But as he also observes, many of those conflicting interests are bound up within the same huge, sprawling financial conglomerates.

Woolworth



Woolworth

A small, pretty, rare bird is not what comes to mind when one thinks of large, ugly, ordinary Woolworth. Still, the company evidently wants to see itself as a Kingfisher, and the market can be thankful to escape yet another meaningless set of initials. Meanwhile, it seems sensible for Woolworth Holdings to dissociate itself from its least successful part, while at the same time leaving its options open over the future of the Woolworth brand.

Some might argue that as the management has never got the formula of the old variety stores quite right, and as double the return on capital is available at B&Q or Comet, the best policy would be to phase out Woolworth altogether. At present, though, the company has no intention of simply turning the chain into a supply of finance for the rest of the group. At this point in the consumer cycle, the defensiveness of Woolworth is an asset, especially when the market is worried that the super-growth B&Q will suffer from the squeeze on the housing market, while Comet is unfortunately positioned in the retailing front line. If the name Woolworth means safety to the battered stores investor, now would seem an odd time to be shedding it.

Unit trusts

Last month's equity market splurge clearly did its bit to persuade the small British investor that share prices can go up as well as down – a fact which had not been uppermost in his mind through much of 1988. Thanks in part to therenewed attentions of retail investors, gross unit trust sales managed an effective post-crash high in January, and February could turn out even better.

But many private investors seem to have thought that renewed life in the equity markets was as good an excuse to sell as to buy: with the market climbing back towards more respectable levels, many had their first chance to bail out without crystallising losses. Still, given the high net new investment figure, retail investors must have bought more units than they redeemed in January – which is more than can be said for 1988. The risk is that they may not continue to do so, if the market returns to its boring old ways.

CBI

The CBI failed yet again yesterday to provide a show of unity on takeover policy – this time postponing agreement on perhaps its most sensible notion yet, that of barring bids from bid-proof aggressors. It is perhaps time the whole thing was dropped. The CBI's membership is irreconcilably split between lions and gazelles, and many are both at once. This time, one suspects, even modest moves towards repelling foreign invaders may have worried those who want to continue their rampages abroad.

It is eminently sensible to suggest, as the CBI leadership now does, that instead of the UK blocking bids, other EC countries should be forced to open up. Perhaps, too, the UK Government would have more leverage if it were armed with the weapon of retaliation. But that weapon, it seems, will not be furnished by the CBI.

ACCOUNTANCY COLUMN

US auditors win a significant victory

By Pratap Chatterjee in New York

US ACCOUNTANTS last week won a round against the Securities and Exchange Commission's increasingly rigid stance on the independence of the auditor.

The SEC decided that it might modify its rule banning auditors from working with their audit clients, for instance in joint ventures – but only if the accountancy profession comes up with its own rules to ensure auditor independence in such situations.

This small-sounding concession is an important victory for the large audit firms. Recently they have become increasingly frustrated about the restrictions placed on them.

Mr Robert Mednick, Arthur Andersen partner in charge of professional standards, said: "As a general rule, the SEC staff are becoming more and more rigid and the profession as a whole, particularly the big firms, is feeling frustrated. In the last year or so the SEC has become very strict in their interpretation of independence. Sometimes they are just off the wall. Often they take such unreasonable and unrealistic positions, they could as well say that auditors shouldn't be paid by clients."

Andersen, along with Price Waterhouse and Peat Marwick Main, petitioned the regulators for permission to work on joint projects with clients, provided the contract involved is not material to the turnover of either participant.

Although the SEC last week wrote back to say that it refused to lift the present ban, it left the way open for a future change in policy by suggesting that its staff could sit down with the American Institute of Certified Public Accountants (AICPA) to work out an alternative solution.

The original petition was made last March by the three firms, which stressed that they wanted to be able to do occasional one-off jobs, not regular joint ventures such as marketing software.

Then in July, Arthur Andersen applied to audit specialist contractors to the US Department of Energy. In order to carry out the audit, they suggested that they could get advice from a company not working with the department. The area under review, nuclear enrichment, was not a subject in which it had expertise and it wanted to bring in outside help.

The advice was worth $25,000 (£14,350), compared with Andersen's total fee of $1m over three years. But the SEC was not happy when it discovered that the parent company of the proposed adviser company had recently become an audit client of Andersen.

The SEC said Andersen had to give up one of them. Andersen applied for an accelerated hearing on the original petition. In December the SEC held an open meeting at which its staff recommended that the petition be rejected.

Mr John Riley, SEC staff accountant, said that its rules on auditors required "the appearance of independence and independence in fact."

However, the board members of the SEC were reluctant to shut the door completely and after two months of wrangling just managed to insert a clause in last week's letter to keep the debate going.

Auditors complain that this is not the first time they have crossed swords with the SEC. They point to cases which, they claim, impose unfair restrictions on their actions – although the SEC has made concessions before.

For example, Touche Ross audits Sears Roebuck, the retail giant. In the past, had the wife of any partner of Touche worked as a part-time clerk at a retail outlet of Sears, even 2,000 miles from where the audit was conducted, Touche would have had to give up the audit.

Recently the SEC relaxed the rule so that the spouse would have to work in an *audit-sensitive function for the audit to be* disqualified.

Again, if a firm helps a company to prepare a financial forecast for a company, it cannot audit it. The auditor may have performed the purely mechanical role of inputting company data into a company database without even studying the figures. Under SEC rules that would be a book-keeping function and therefore disqualify them.

By far the most rigid rule prevents auditors reporting on financial information prepared by an audit client in connection with a share issue. That is in contrast to British law, for example, where no such restriction applies.

Under the SEC rule, even if the opinion is expressed in Britain and not in the US, the firm is automatically disqualified from auditing the annual report of the company to the SEC.

The rules often extend to former partners, too. So if a retired Price Waterhouse partner is asked to value an asset for IBM, an audit client of his former firm, the retired partner would have to withdraw all links with the firm.

That would involve, for instance, the firm paying out his full pension before the contract could be fulfilled.

In none of the above is the AICPA as concerned as the SEC. *For instance, it requires* auditors to disclose loans from clients only if the loans are material to their turnover, whereas the SEC requires disclosure of all loans.

Mr Glen Perry, Peat Marwick partner who worked on the petition, said: "We agree to accept rules that are much stricter than the AICPA's. (But) their position (the SEC's) often does not make sense."

Mr Lee Sidler, a former professor of accounting at New York University who is now senior managing director at Bear Stearns & Co, disagrees: "Accountants should stop trying to get the frosting on the cake. The SEC is concerned about health of companies and therefore the independence of the auditor. They should tell auditors to pick one or the other contract."

Mr Mednick of Andersen, a strong critic of the SEC, is heartened by the recent letter on working with audit clients. He said: "The very fact the SEC has come down from an absolute ban to suggesting talks with the AICPA means we may soon be able to start a reasonable dialogue."

The SEC suggestion has been sent to the AICPA. Mr Bob May, the AICPA chairman has forwarded it to the chairman of their professional ethics committee, Ms Marilyn Pendergast.

She said: "There are a whole bunch of rules that we differ on but this is the first time that we will be sitting down to work out a compromise." The details have not been worked out.

Many expect a professional standard to be drawn up. The committee already has a special task force that meets regularly with the SEC.

One solution is already spelt out in the letter. The SEC has no objection if the original contractor sub-contracts the work to an auditor and their audit client separately and then asks them to work together.

However, many companies prefer "turnkey" projects – those which involve awarding the work to a single contractor, which is then expected to draw up its own team and to carry the project to completion.

The potential benefits of a solution are enormous, particularly for the big accountancy firms. For instance, Price Waterhouse audits IBM: under the existing rules it simply could not carry out a turnkey computer project with IBM. This is a severe restriction for a firm which has decided to invest heavily in computer-related consultancy.

And of course for firms like Andersen it makes possible contracts like the nuclear enrichment audits.

Although immaterial in the *context of Andersen's total* income, $1m is not a sum to be sneezed at.

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As a consequence, they have an immediate requirement for a key individual to complement their management team.

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Interested applicants should telephone James Hyde on 01-437 0464 or write to him, enclosing a detailed CV, at the address below.

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The person appointed will work closely with the Chairman and Chief Executive and carry full responsibility for financial management.

Particular emphasis and hands on responsibility for establishing good quality accounting at subsidiary and group level will be essential in the early stages.

Candidates should have broad management experience including involvement with *directing small developing companies* or business units. Personal experience of managing relationships with sources of external finance is essential.

Confidence, personal ambition and demonstrably sound business judgement will be highly valued. An equity stake will be *available* for this demanding role in a *small* but ambitious business.

To apply, please send full career details to Mike Smith, quoting ref. M/ACW.

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CONSULTANTS

apricot computers p.l.c.

Group Financial Controller

West Midlands £37,500-£42,500 + Car

Our Client, Apricot Computers plc is a leader in the field of computer systems, software design, systems development and computer maintenance. The company now seeks to appoint a Group Financial Controller, who will have a key role in the management of growth in an exciting and dynamic industry.

Reporting to the Group Financial Director your brief will encompass the production of Group results and forecasts to tight deadlines, the management of all taxation, treasury and company secretarial affairs, the analysis of divisional performance, acquisition studies and the development of management information systems.

The successful candidate will be a commercially astute and technically strong Chartered Accountant. You will currently be a Senior Manager within Public Practice or alternatively possess a minimum of three years "hands-on" industrial experience within a Group/Plc environment where profit planning, tax and treasury are key issues. You will also have the prospect for progress within the financial field as well as the potential for a move to commercial management within the Group.

In return the company can offer outstanding career opportunities along with a substantial remuneration package which includes a fully-expensed car, profit share, pension scheme, share options and relocation expenses where appropriate.

Interested? Write to Tony Hodgins ACA at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST, enclosing a comprehensive CV.

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FINANCIAL DIRECTOR

West Country to c. £32K + car

Our Client is a major business within a British based International Group which manufactures and markets a range of quality consumer products. The business has a turnover of £36m, a high proportion of which is exported, and is a world leader in certain market segments.
A Financial Director is sought, to be responsible to the Managing Director for the financial and systems functions.
Candidates must be fully qualified accountants with good experience of specialist or batch manufacturing companies, and of working closely with the production and sales functions.
They must be change oriented, skilled in systems and familiar with modelling techniques, with the personal ability to identify indicators and propose solutions. While a strategic contribution to Board thinking is expected, so is the capability to carry out detailed investigation.
The remuneration package includes the benefits normally associated with a large group, including relocation.
Please reply in confidence, enclosing full career details, to Michael Bailey, Bull Thompson & Associates Ltd, 8th Floor, Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham, B16 8TP.

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CORPORATE AND RECRUITMENT CONSULTANTS

FINANCIAL CONTROLLER

West Midlands £20 - 30k + Benefits

We are an unusual, innovative and successful hi-tech company engaged in the marketing of computer systems and the data generated in the health care sector.

The company is a joint venture with a £1 billion UK plc. We will have a turnover of £5 million in the current financial year. We are well funded and expect to increase turnover at least five-fold in the next five years.

We require a Financial Controller who will report to the Managing Director. Applications should be able to run the company's computerised accounts system and provide financial information to the company's operational directors and board. This is a key senior appointment and we need someone who will also make a broad contribution to the operation and management of the company in close liaison with the company's operational directors whose style is entrepreneurial and informal. Applicants will be expected to operate flexibly in a rapidly changing environment and familiarise themselves quickly with all aspects of the company's business.

The Financial Controller will be responsible for the management of our General Office team of six which includes experienced accounts personnel.

Applicants should hold an appropriate qualification and have at least five years relevant experience. Their age is likely to be between 30 and 50. We expect applicants to be computer literate. This is an exciting opportunity to be in on the ground floor of a new international health care arena. Relocation assistance is available.

Potential candidates may obtain further written details of the post and the company by contacting our consultants Ms Janet McCracken on 01-699 3544.

Financial Controller

Surrey/Sussex Border

Circa £24k plus Car

Rapid growth to a turnover of £20m in this highly regarded *office design company, has created a new position for a qualified* accountant.

In addition to developing and controlling a new computerised financial and management information system, the successful candidate will play a significant role in a young management team committed to sustained profitable growth.

Computer awareness, business acumen and the ability to motivate, are the key factors sought, although experience within a fast moving manufacturing environment would be an advantage.

Please write with a full career resume to: Ms. M. Carroll,

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You will oversee the streamlined production of financial information and contribute to commercial decision making. Candidates should be ambitious qualified accountants with at least 2 years PQE gained in a progressive organisation. Key criteria for success will be: analytical ability, self-reliance and the personal qualities to build and lead a professional team. Ref. L397

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Package to £33,000 + car

You will join a team of finance and systems professionals, responsible for the definition and implementation of a corporate financial systems strategy. As a qualified accountant, you will have been involved in a successful systems implementation.

In order to make a positive contribution in this dynamic environment you should be able to demonstrate strong communication skills, a sound understanding of the systems development cycle and previous experience of leading projects. Drive, enthusiasm and the ability to achieve professional results through motivating staff are essential. Ref. L398

Interested candidates should write or telephone outlining their background and experience to Heather Male, quoting the appropriate reference.

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Candidates must be qualified accountants aged at least 35. Your background should include experience of up to date audit techniques gained in large organisation, operational audit and team management. Success will be determined by good presentation and communication skills, persistence and energy and will be rewarded with excellent career development opportunities. Full relocation assistance is available if necessary.

Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. L396.

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FINANCE DIRECTOR

To £30K and Car

North West

Our client is a company with a turnover of approximately £15 million earned through the supply and manufacture of materials for the building industry. Their plans for further growth include adding to their depot structure, creation of new manufacturing capacity and development of the product range and market share. Flotation on the USM in 1989 and subsequent acquisitions are substantial elements within their plans.

To assist the Managing Director in the implementation of these plans they now seek a Finance Director who will:

- manage the finances of the company,
- have overall responsibility for the provision and presentation of management information using computerised systems,
- take an active role in the intended flotation of the company and any subsequent acquisitions,
- have overall responsibility for central administrative services within the Group,
- act as Company Secretary.

Candidates should have a recognised accountancy qualification and experience of working at a senior level, ideally in a marketing/distribution environment. This is an excellent opportunity for someone with the inter-personal skills to influence colleagues without disturbing what is a harmonious working environment.

Apply in confidence, by sending a CV to: Trevor Tindell, Grant Thornton Management Consultants Limited, 5th Floor, St. Johns Centre, 110 Albion Street, Leeds LS2 8LA quoting Reference L104.

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THE

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For further information telephone Mary Johnson on High Wycombe (0494) 35823

APPLICATIONS should be sent in writing showing how the requirements are met to the Trust's Chief Executive at 4 Corporation Street, High Wycombe, Bucks HP13 6TH.

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For a full job description, please write to W T Agar at John Courtis & Partners, 104 Marylebone Lane, London W1M 5FU, demonstrating your relevance clearly and quoting Ref. 2299/FT.

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DOUGLAS LLAMBIAS

مكتبة الأمل

Group Financial Controller (Director Designate)

to £35,000+Car N.W. London

Our client is a small manufacturing and retailing group and plc, with a high reputation for quality. The company enjoys sustained growth and has a current turnover of about £5m, *with plans for further rapid expansion.*

A Group Financial Controller is to be appointed to control and develop the Company's accounting and financial affairs, and to play a central role in the development of financial strategies related to future growth. The person appointed will also act as Company Secretary to the Group, and as Finance Director and Company Secretary for its trading subsidiaries. It is envisaged that appointment to the Main Board would follow in due course.

The post calls for a qualified accountant with experience heading the accounting function of a small to medium sized company, preferably in manufacturing and retailing. An *affinity for computers is essential. It is unlikely that anyone under 35 will have had* sufficient experience.

Reporting to the Main Board, the Group Financial Controller will be supported by a small team and be responsible for accounting at the Company's London and Midland locations. There is an excellent salary, related to experience, and benefits include a 2 litre car, pension scheme, health insurance, and share option scheme.

BDO BINDER HAMLYN

Please reply in confidence, with a full CV including salary details and a daytime telephone number, quoting reference 1580, to Roger Bull at the address below, or telephone him on 01-583 3303.

BDO Binder Hamlyn Management Consultants
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A tough and resilient Financial Planning and Analysis Manager

Central London : c. £27,000 + Car and possibly more

The company is among Europe's largest Information Technology providers and manufacturing is a significant vertical market, generating over £100 million a year. The division is undergoing rapid expansion and the finance function must ensure the process is orderly and profitable.

A key player will be a new Financial Planning and Analysis Manager. This is essentially a Chief Accountant role and the ideal candidate must be capable of understudying the busy and energetic Financial Controller. Graduate level intellect, an accounting qualification (preferably ACMA) and a firm grasp of the latest practices and standards are clearly called for but the job has other, crucial dimensions.

These include total immersion in rapidly evolving management policies to ensure the accounting function stays ahead of the game, leadership of a talented team in delivering a superb service, and calm mastery of the pressure and turbulence endemic in the IT business. Integrity, presence and communication skills, gained from around ten years professional experience, are assumed and those with solid IT industry exposure will attract the upper end of the salary scale.

This job is not for the faint-hearted but the rewards, in terms of the sheer intensity of professional development and the scope for rapid career progression, are unrivalled.

Please send full career details quoting Ref. AR4008 to: Ian Patterson, March Consulting Group, March House, 13 Park Street, Windsor, Berkshire SL4 1LU. Tel: (0753) 869346.

MARCH CONSULTING GROUP

3i VENTURES

FINANCIAL EXECUTIVES

£ competitive plus generous benefits

3i Ventures is a part of 3i Group which specialises in investing both money and management expertise in the early stages of business ventures with high growth potential and typically commensurate risk. The division operates in the UK and US and has grown an impressive and successful portfolio of companies, principally in the IT and health care sectors, giving it an unrivalled reputation in the venture capital field.

We are now looking to strengthen our small UK team through the appointment of two experienced financial executives. You are a qualified Accountant in your late 20's/early 30's, with at least 5 years' post-qualification commercial or industrial experience and a good academic track record. Empathy with fast-growing technology businesses and strong inter-personal skills are essential.

Your role will be to work with your colleagues in the financial appraisal, structuring and subsequent management of potential investments. You'll liaise with other syndicate members, be involved in a wide range of due diligence issues and assist companies with their financial plans and strategies.

The rewards will reflect your experience and potential. Salary is negotiable and a generous benefits package is offered. If you are ready for this exciting challenge please send your C.V. to Kathleen Rawle, Personnel Manager, 3i plc, 91 Waterloo Road, London SE1 8XP.

3i INVESTORS IN INDUSTRY

PRUDENTIAL HOLBORN

Finance Manager

Life & Pensions

Leading Financial Services Industry

Central London

To £28,000, Car Excellent Benefits

Prudential Holborn is specifically dedicated to providing the highest standards of investment, advice and performance to the high nett worth sector. This rapidly growing organisation offers a stimulating key role, created by a climate of expansion to meet the needs of a competitive market.

The successful candidate will assume total responsibility for the Financial Accountancy operations of their innovative, life and pension business areas.

Supported by a high calibre team you will control co-ordination and production of all accounting information, and demonstrate an ability to contribute to the profit-making process.

The ideal candidate will offer a minimum of two years post-qualification experience and display knowledge in Life and Pensions Accounting procedures. Personal qualities will include an ambitious, self-motivated individual who can meet deadlines and contribute fully to the financial function.

Excellent opportunity for advancement within Britain's largest financial services group.

Candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *B.E. Boylan, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738, Ref: K16007/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

LEntA BUSINESS SPACE

A challenge in finance, property and business

FINANCE MANAGER

Central London To £27k+Bonus+Car

LEntA Business Space is an expanding company owned by Barclays Bank, BP, Midland Bank and Shell and since 1980 has been part of their support for programmes to regenerate Britain's cities. Its purpose is to acquire and convert London properties into units suitable for small and start-up businesses. LEntA Business Space maintains a close working relationship with the London Enterprise Agency (LEntA), to provide small business counselling, training and advice.

The Finance Manager will be a key member of the Management Team, with responsibility for financial planning and reporting as well as overseeing the accounting and computer systems.

In addition to at least 2 years' post-qualification experience, you will need entrepreneurial flair and a thorough grasp of wider business issues. Preferably coming from a property background, you must be computer literate and have good interpersonal skills.

If you are a self-starter who would enjoy the challenge of a growing business environment, please send a copy of your CV to The Chief Executive, LEntA Business Space, Rosebery House, 70 Rosebery Avenue, London EC1R 4RR.

MIDLAND BP Shell BARCLAYS

Excellent Career Opportunity

WAGON INDUSTRIAL

Group Financial Controller

Telford c£30k + Car

Our client, Wagon Industrial Holdings plc, is fast growing and dynamic. The Group is involved in a broad range of manufacturing activities and has a well defined corporate strategy. The long term prospects of the Group are excellent, and turnover is in excess of £200m.

An opportunity has now arisen for a talented accountant to join the Group as Group Financial Controller. This position will demand the ability to deal effectively with all technical issues *inherent in consolidations as well as the commercial skills to* make a positive contribution to the overall management of the Group.

Suitable candidates will be qualified accountants, ACA, ACMA, ACCA, probably aged between 28-35, with an excellent track record and the personal skills necessary to act as an interface between the Head Office and subsidiaries. This role offers superb experience for an able and ambitious accountant to play a key role in a small and highly effective Head Office team.

In return for your talents the Group offers a generous salary package. If successful in this role the career opportunities may be to progress to main board level.

Interested candidates should write to Tony Hodgins ACA, Executive Division, enclosing a comprehensive curriculum vitae, at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

NORFOLK/SUFFOLK

To £30K + CAR + EQUITY PARTICIPATION

This young established and go ahead office equipment dealership now requires a commercially atuned Finance Director. With its recently obtained venture capital backing, the Group is now poised for further rapid growth, and is expected to reach a turnover in excess of 15 million next year. Future prospects include further expansion both organically and by acquisition.

As Finance Director you will be a member of the Board to assist in the commercial development of the Group. You will be particularly responsible for organising and managing the finance and administration function, with an emphasis on producing timely management and accounting information, budgetary control and planning. You will also act as the main interface between the Group's financial advisers and its venture capital investor.

A qualified accountant, you will probably be aged 28 - 35 with at least five years' of commercial experience. Personal attributes must include high levels of energy, interpersonal skills and business acumen.

Résumés, with daytime telephone number and current salary please, to Chris Haworth, ref CH520, Coopers & Lybrand Executive Resourcing, Abacus House, Castle Park, Gloucester Street, Cambridge CB3 0AN.

Executive Resourcing Coopers & Lybrand

CHIEF ACCOUNTANT

The British Newspaper Printing Corporation is part of the dynamic Maxwell Communication Corporation and operates in a high profile environment using leading edge technology printing facilities to produce the Mirror Group Newspaper titles in addition to other publishers' titles.

The demand for good, professional financial management is as strong as ever; subsequently we are now looking for an experienced Chief Accountant to take full responsibility for the Head Office Finance function, consolidation and statutory accounts, cash control and the maintenance of company accounting standards.

To assist with this crucial role, you will have an experienced team of seven people enabling you to concentrate on developing management information systems controlling major supply contracts and the general management of the Head Office accounting records. In addition you should have the experience to design and implement a new computerised accounts system.

For this highly responsible position you will preferably be a Chartered Accountant with strong financial accounting skills and some systems development and implementation knowledge. It is desirable for you to have some previous industrial experience and good interpersonal and man-management skills.

In return you will receive a substantial benefits package, including company car, which will be at the level you would expect from a company that breeds so much success.

If you think this is you, send your CV with details of current salary to Mr G M Bentley, Head of Personnel, British Newspaper Printing Corporation (Watford) Ltd., St Albans Raod, Watford, Herts. WD2 5RD.

British Newspaper Printing Corporation plc

NEWCASTLE INTERNATIONAL AIRPORT LTD.

MANAGING DIRECTOR

£45,000 p.a.
(to be reviewed in April)

The Managing Director is an Executive Member of the Board of Directors and has responsibility for the control of the Company's functions and objectives as defined in the Business Plan. The postholder is, at the moment, assisted by a *Director of Operations and a Director of* Finance and Administration.

Located 6 miles north of the City of Newcastle upon Tyne, Newcastle International Airport is a major regional airport and became a private limited company on 1st April, 1987. It handles approximately 1.5m. passengers each year and is currently undertaking a series of major schemes to improve existing facilities and upgrade operational equipment.

The postholder is granted use of a Company car and relocation expenses are payable in appropriate cases.

Applications are invited for this key post of Managing Director which will become vacant in July 1989 following the retirement of Mr. J. H. Denyer, the present postholder.

An Application Form and a detailed brief describing the post, the resources and objectives of the Airport and the staffing structure are available from Mr. E. B. Lincoln, Airport Legal Adviser, 14 Northumberland Square, North Shields, Tyne and Wear NE30 1PZ. (Telephone No. 091 257 5544.)

The closing date for applications is 20th March, 1989.

NIA

Appointments Advertising appears every

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Thursday	-	Accountancy Appointments

Financial Controller

SOUTH MIDDX, c.£35,000 + BONUS + CAR

A large and very successful American corporation, who are major international players in the hair care and toiletries field, have recently started up in the UK with the launch of its branded products. Well researched and backed by impressive advertising campaigns, the products have already been accepted by a number of major multiple retailers where sales are proving to be very strong. The American parent sees this new venture as a long term strategic investment, with further developments into other lucrative European markets to follow.

The Managing Director of this new venture requires a Financial Controller to be an active participant of his small management team, collectively responsible for driving the business through its early growth stages and eventually establishing it as a fully fledged subsidiary. You will be required to develop fully the financial and accounting function with an emphasis on the production of sound management information for controlling and planning the commercial success of the venture, including the monitoring and financial management of third party manufacturing, distributing and selling.

A qualified accountant, probably aged early 30's, ideally you should have a background in a multi-national packaged goods fmcg business, preferably in toiletries, in addition to small company experience. As an individual, you must be a 'hands-on' and positive person with an enthusiastic, entrepreneurial personality able to withstand high pressure in coping with the formation of the new company in a rapid growth situation.

Résumés, with daytime telephone number and current salary please, to Chris Haworth, ref: CH958. Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing Coopers & Lybrand

Finance Director

Liverpool c £26,000

Our client is a leading educational establishment in the City of Liverpool who is looking ahead to the challenge of the 90's. They are now seeking to appoint an exceptional Finance Director who will lead them through the important commercial challenges they are facing.

Your key objective on taking up this position will be to assess the current financial systems and controls and implement changes where necessary.

In addition you would be responsible for:
* the day to day running of the finance function
* the negotiation of funds from external sources
* the management and motivation of the finance staff

This is an ideal opportunity for an ambitious finance professional to actively contribute to the organisation's success. To have gained the relevant experience you will be aged 30+ with a recognised professional qualification. You will have had the opportunity to operate at senior management level and faced the challenges of implementing change within an organisation.

Personal attributes are equally important and you should be able to demonstrate outstanding communication skills, the ability to motivate and lead a team of staff and the desire to implement change.

In return the position offers a competitive salary, 30 days holiday per year, relocation assistance where applicable and the opportunity to work with a close knit team within the developing city of Liverpool.

Candidates should write including full career and salary details quoting reference MCS/8859 to: Penny Stocks,

Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham B3 2JB

Price Waterhouse

Financial Controller

Television/Film Production
Package to £29,000
West London

An exceptional opportunity has arisen for a young qualified accountant to take a key role in the dynamic area of television sports programming. The company is the UK subsidiary of the recognised world leader in this area which has enjoyed an unparalleled record of continuing growth.

The role will be to ensure effective and efficient controls in a fast moving, rapidly expanding environment and to provide financial expertise for a high powered and extremely entrepreneurial management team.

You will be a qualified Accountant with a minimum of two years post-qualifying experience ideally gained in a media/broadcasting environment. Experience in production accounting, working to strict projects and tight deadlines is especially sought. The ability to remain clear-thinking and to show considerable initiative under pressure is essential.

Please write enclosing a CV to Christopher Bainton quoting reference MCS/2032 at:-

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Financial Director

North West — c£30,000 + Car

Our client is a highly profitable subsidiary of a dynamic and rapidly expanding UK plc. A policy of strategic acquisitions, coupled with significant capital investment in existing operations, has resulted in a growth rate which has taken group turnover to c£300m p.a.

Internal promotion has created the need for a Financial Director to assume total responsibility for the finance, data processing, company secretarial and administrative functions. This is a key appointment within the senior management team and as such you will be expected to make a significant contribution to the broader aspects of business management.

Candidates, aged 30+, should be qualified accountants, preferably with a relevant degree, who can demonstrate sound industrial experience, ideally gained in a manufacturing environment, together with a high degree of maturity and a track record of innovation. In addition to technical ability, well developed interpersonal skills and intuitive commercial acumen are pre-requisites.

The remuneration package comprises a competitive basic salary plus performance related bonus and a fully expensed company car. Relocation assistance is available where appropriate.

Interested applicants should contact **Iain Blair ACMA**, quoting ref. 3091 at **Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Telephone 061-228 0396.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL CONTROLLER

Worthing — £27,000 + car

Market leaders both in the UK and the rest of Europe, our client manufactures high quality electronic control instrumentation and is a key subsidiary within an international UK plc collectively designing and manufacturing control systems and equipment for wide industrial and manufacturing applications.

Reporting to the Finance Director the position of Financial Controller is an outstanding opportunity for a young qualified to take day-to-day responsibility for the finance department and for the provision and development of financial and *management accounts* during a period of significant projected growth.

Suitable applicants will be fully qualified, aged 24-32, with excellent financial and systems skills gained within a manufacturing environment. Costing experience is essential as an early project will be the detailed review and development of current systems.

The commercial acumen and interpersonal skills necessary for success in this position will ensure future prospects within this dynamic high-growth environment.

Please write enclosing your CV or telephone Richard Warner.

MANAGEMENT PERSONNEL
York House, Chertsey Street, Guildford, Surrey GU1 4ET
Telephone 0483 65566
(0252 724671 evenings)

Management Personnel
RECRUITMENT SOLUTIONS
LONDON · GUILDFORD · ST. ALBANS · WINDSOR
NEWBURY · BRISTOL · CAMBRIDGE

Finance Director

Satellite Broadcasting
c. £45,000 + Bonus + Car London

Our client is the European representative of a highly successful international broadcasting group. They provide a 24 hour satellite television service, which *covers the whole of Europe and targets itself at young* adults. Based in London, the European operation has achieved rapid growth since its inception in 1987 and confidently expects this expansion to continue into the 1990's.

They need a Finance Director to manage the financial and administrative aspects of the business whilst ensuring that the ambitious, yet attainable, growth targets are maintained. The Financial Director will report directly to the Managing Director and will be responsible for an accounts team of ten. The role will involve a heavy emphasis on planning and strategy and will include advising the Board of directors on the financial and market implications of their decisions.

Given its current levels of growth, this position offers excellent scope for further development and foreign travel.

This is a unique opportunity for a commercially minded, energetic and diplomatic professional with the ability to succeed in a fast-moving, dynamic environment. Candidates should have had at least five years post-qualification experience, preferably gained within the entertainment industry, although this is not essential. The ideal candidate will have a bright, outgoing personality, excellent interpersonal skills and the ability to communicate at all levels.

A salary of about £45,000 is offered together with a substantial bonus, car and private health scheme.

Please write in confidence to Jane Woodward at the address below, quoting reference SHA.1262.

Stoy Hayward Associates
MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
FAX No: 01-487 3686
A member of Horwath & Horwath

FINANCIAL CONTROLLER
(Director Designate)
N. London. £25K + Car

Our clients have established an excellent reputation for imaginative design and quality manufacture in the field of Aluminium Engineered Structures and Products.

A solid business base highlighted by involvement in some of the more innovative and high profile building projects in recent years gives an interesting mix.

Recognising the importance of strong financial and *administrative management in the next expansion phase* the Directors seek a Qualified Accountant with experience gained in the construction (or similar) industry ideally including contracting.

Essentials are the ability to upgrade financial control and management systems (computerised), head an effective accounts/admin. team in three seperate sites and contribute strongly to the management structure.

For further details telephone Pat Redfern on 0403 51289 or send a meaningful C.V. to:-

Redfern Associates, 27 Laughton Road, Horsham, Sussex RH12 4EJ

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

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A member of the Career Development & Outplacement Divison

InterExec SMI

Landseer House, 19 Charing Cross Road, London WC2H 0ES.

FOR ACCOUNTANTS

INVESTIGATIONS ACCOUNTANT

Location Negotiable — c£25,000 + Bonus + Car

Our client is a marketing led public group which has expanded rapidly over recent years both through acquisition and organic growth. Their interests are diverse and include manufacturing, distribution, retail and financial services.

Continuing growth (both in the U.K. and Europe) combined with the increasing complexity of the group's activities have led to the requirement for a senior manager to improve the existing management structure by introducing an in-house proactive consultancy arm.

Reporting directly to the Group Finance Director your brief will be to undertake commercially orientated investigations at subsidiary companies, which will include the examination and appraisal of management information reporting systems. Other projects such as acquisition work will be carried out on an ad hoc basis.

There will be considerable liaison with general management at subsidiary level and hence it is imperative that the successful candidate can communicate effectively and if need be initiate and implement action programmes.

Candidates will be ambitious qualified accountants possessing a mature and profit motivated approach combined with a strong and tenacious personality.

The geographical spread of the group's subsidiaries together with the amount of travel and time away envisaged in this role dictates that home location is not of prime importance although a base within travelling distance of the Midlands or Yorkshire would be useful.

Our client offers an attractive remuneration package combined with excellent career prospects at senior level.

For further information please contact Alyn Pearce ACA quoting ref. 895/353FT at Daniels Bates Partnership Ltd., Yorkshire Bank Chambers, 11A Smithy Row Nottingham NG1 2BY or telephone him on 0602 483321

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Leeds (0532) 461671
Sheffield (0742) 754015
Manchester (061) 835 3311
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Aylesbury (0296) 393040
Hull (0482) 26382

ESTD 1742

WHITBREAD

OPERATIONAL AUDIT MANAGER

Central London c.£45,000 + car

Our client, Whitbread Plc, is a major force within the UK retail and leisure industries and is expanding into overseas markets. Turnover currently exceeds £1.5 billion.

The function of the audit department is to give reassurance to the company's executive on the management and control of autonomous business units and to identify and recommend profit *improvement* opportunities.

An experienced manager is required to head up a sizeable audit department of qualified staff reviewing systems, controls and policies throughout all business areas and appraising strategic issues.

Preferred applicants will be chartered accountants aged around 35 with an audit background ideally with a retail and fmcg bias. It is essential that applicants have a good commercial approach and the credibility to deal with board members and senior management and to progress to a senior line position within three years of appointment.

Please send career and personal details quoting reference F/019/A to Carrie Andrews.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Develop your financial skills with an international group

London, W1 **c£27,000+Car+Benefits**

We are the autonomous British subsidiary of a Western European energy group; one of the 'Majors' of the oil industry. Firmly established in this country for some twenty-five years, our exploration and production activities in the key area of the North Sea have kept us at the forefront of our sector.

An excellent opportunity has arisen at our London Headquarters, which will carry responsibility for the group financial accounting function of a highly profitable £200 million turnover business. The successful applicant's key tasks will include direct responsibility for a team of 8 finance staff, management of the periodic financial and statutory accounting functions, sales accounting, and group reporting requirements. Additionally, you will be expected to develop relationships with financial and operational management, in both Aberdeen and Paris.

Applications are sought from qualified Accountants, aged 26-35, with a minimum of two years' post qualification experience gained in an industrial or commercial environment and a sound knowledge of current U.K. statutory/financial accounting practices. To find out more about the role and the company please contact Gerard Davies on 01-831 2000 (evenings and weekends 01-367 6412) or write to him at the Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Alternatively, applications may be faxed on 01-831 2612.

Neither names nor details of interested individuals will be disclosed to the client without express permission.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Dataquest
a company of The Dun & Bradstreet Corporation

European Financial Controller

To £28,000+Car+Benefits

Dataquest is the world leader in the production of high technology market research. Formed in 1971 it has serviced a rapidly expanding base of blue-chip clients by providing information to assist in the development of product/marketing strategy, corporate planning, venture capital and new business ventures.

They wish to appoint a European Financial Controller to assume specific responsibility for the development of management information. In addition, as a member of the management team, the successful candidate will be expected to contribute significantly to the profitable development of the business.

Applicants aged 27-33, will be qualified accountants who can demonstrate achievement in their careers to date coupled with a positive approach and well-developed interpersonal skills.

Travel is anticipated to locations including California, Paris and Munich and some business French would be an advantage, although this is not essential.

Interested candidates should telephone Barbara Burke on 01-831 2000 or alternatively, write to her at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, quoting ref. BB26.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Controller

NORTHAMPTON, c£24,000 + CAR

This position is with the County Commercial Services of Northamptonshire County Council. It has recently been set up as a new department with responsibility for carrying out various established trading activities of the County Council. In the first instance, primary responsibility will be for the County Contracting Division which carries out the maintenance and construction of highways, grounds maintenance and central transport services with a turnover of £11 million.

You will be responsible for all financial and commercial activities within County Contracting but eventually you will also assume responsibility for the other divisions of County Commercial Services.

The scope of the position is wide in that besides the usual control over financial information, budgeting and cash control, there are ample opportunities to exercise your skills in the areas of overall policy formulation, business improvement strategy and customer relations. This business is in the process of introducing new management information systems, improving the monitoring of business plans and generally raising the profile of the finance department with operating managers.

You will be a qualified accountant, probably in your late 20's or early 30's, commercial in approach and with good information technology skills. You should be well versed in problem solving and should possess good communication techniques. The remuneration package includes a car for which a private use charge will be made.

Résumés please, including daytime *telephone number and indication of* present salary, to John Elliott, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT, quoting reference JE151.

Executive Resourcing
Coopers & Lybrand

FINANCE DIRECTOR

North West **£30-35,000 + profit-related bonus + car + benefits**

Our client is a highly successful engineering company (T/O 25m) manufacturing a range of high value specialist machinery for international markets worldwide. Part of a dynamic US parent, it attributes its rapid growth to a sophisticated *product range and to the quality and* commitment of its people.

The Managing Director now seeks to strengthen the senior management team with a commercially-orientated Finance Director of *outstanding calibre*. Your sound judgement, energy and flexibility must match the quality of your technical skills and experience, as you will play a key strategic role. Supported by a small department you will be fully responsible for all financial controls and systems development, as well as all secretarial, treasury and legal functions. The full scope of your role will reflect your own involvement, ability and determination, and your brief will be as wide as you can handle.

Aged in your 30's and almost certainly ACA, ACMA or ACCA qualified, you will have gained a number of years financial experience at senior level, either in an engineering or manufacturing environment, or in the profession.

For the right candidate, career prospects are excellent, and relocation expenses will be offered where appropriate. Please apply in writing, enclosing a full Curriculum Vitae, to the company's advisor, Sharon Turnbull, Mercuri Urval Limited, Ship Canal House, Kings Street, Manchester M2 4WU, quoting ref: 71/89.

Mercuri Urval

Financial Accountant

A key role for an agent of change

Gillingham, Kent. **c.£27,000-£32,000+car**

Our client is a highly successful business unit within a major UK industrial group. The group as a whole is enjoying the benefits of extensive restructuring and is taking full advantage of the international development of its markets.

In response to this challenge, we now wish to recruit a qualified accountant. He/she will create a programme to develop the financial accounting function, a key element of which will be the enhancement of internal controls. Along with the management of his/her department, the successful candidate will also be expected to undertake ad hoc assignments many of which will involve working alongside senior personnel, both in the UK and overseas.

The successful candidate is likely to have at least two years' post-qualification experience gained in industry and will probably be in the age range 27 to 34. He/she should be able to demonstrate a record of improving systems along with strong man-management skills.

The group is recognised for its extremely impressive career development record.

Please apply to:
Anthony Jones, Career Plan Ltd., 33 John's Mews, London WC1N 2NS, tel: 01-242 5775, (or 01-348 3641 between 7.30 pm and 9.30 pm).

Career Plan Limited
Personnel Consultants

YOUNG QUALIFIED ACCOUNTANT

Global strategy and troubleshooting

London ***£25,000 + Car + Overseas Travel***

Turning over £1 billion worldwide, this well established yet fast growing US-owned company designs, manufactures and markets a high quality range of office and home furnishing products. Over the last few years, they have consistently set record sales and profits, both through organic growth and recent acquisitions.

Reporting to a Divisional Business Manager, this is a challenging position, separate from the company's conventional accounting functions and central to its operational success. In addition to preparation and monitoring of annual budgets and 5 year plans, key elements of the role include:

- ▲ 25% international travel, troubleshooting in North America and Europe.
- ▲ Heavy involvement in new product development, from research and strategy to market and competitor analysis.
- ▲ Acquisition investigations and performance appraisals.

This role would ideally suit a recently qualified accountant, but exceptional newly qualifieds will be *considered. A highly commercial outlook is essential.*

Career prospects are excellent and include the opportunity within 2 years to take on a subsidiary controllership, either overseas or in the UK. There is also the chance to move into general management.

For further details, please contact ANDREW LIVESEY on 01-404 3155, or write to him at Alderwick Peachell & Partners Ltd., Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

Alderwick Peachell and Partners Ltd

MANUFACTURERS HANOVER

Opportunities in Investment Banking for Accountants

We need two ambitious, recently-qualified accountants with a strong commercial awareness. You should ideally have previous experience of investment banking products although emphasis will be placed on initiative and enthusiasm.

Swaps Accountant
You will provide support for swaps trading operations in the major financial centres, working closely with the New York Swaps Accounting unit. Reporting to the head of Swaps Accounting, this is a key position for a product where we are a world leader both in volume and innovation.

Project Accountant
As part of a small team devoted to providing a wide range of accounting, tax and operational support to all areas of the group, you will report to the head of the Accounting Projects unit.

We provide a competitive salary and comprehensive benefits package. The opportunities for career advancement are excellent. Previous holders of both positions have achieved senior financial and operational positions within the group both in London and New York.

Manufacturers Hanover was the first U.S. bank to establish an investment banking capability in London and together with its operations located in New York, Tokyo, Frankfurt, Hong Kong and Sydney, the Investment Banking Group provides comprehensive origination, trading, distribution and related advisory services to corporates, financial institutions and governments worldwide.

Write now to the address below with your C.V. to apply for these career opportunities.
John E. W. Bamford
Vice President
Manufacturers Hanover Limited
7 Princes Street
London EC2P 2EN

The Investment Banking Group

EXPERIENCED SENIOR ACCOUNTANT
FINANCIAL CONTROLLER

AGE 35-55 CENTRAL LONDON

The Design Council is an independent but government sponsored organisation dedicated to improving product design in British industry through a wide range of commercial and subsidised services. The Council is undergoing rapid change to implement best management practices and maximise value for money throughout a regionalised network centred in London.

The Financial Controller will be a key member of the Council's senior management team and will be expected to play a constructive role in helping line management to raise performance across activities such as publishing, book retailing, campaigns, training, and specialist consultancy.

Applications are sought from personable qualified accountants with broad commercial experience and a flexible outlook who can adopt a hands-on approach and develop new micro-based systems with mini-computer back up.

The salary will be up to £30K, and there is an excellent non-contributory index-linked pension scheme. A car is not provided but a generous mileage allowance is payable to car users.

Further details are available from Lynda Anderson, Personnel Officer, on 01-839 8000 extension 4031. Detailed CVs should be sent to her at:
The Design Council
28 Haymarket
London SW1Y 4SU
An equal opportunities employer

THE DESIGN COUNCIL

Appointments Advertising appears every

Monday	-	Legal Appointments
Wednesday	-	General Appointments
Thursday	-	Accountancy Appointments

FINANCE DIRECTOR

TEXTILES

Salary £35,000 (with equity option)

Well established garment manufacturing company, £11m turnover, with ambitious plans to grow organically and by acquisition.

Need to strengthen management buy-in team by appointing an F.D. who will report to the new Chief Executive.

Successful applicant will be:

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INSIDE

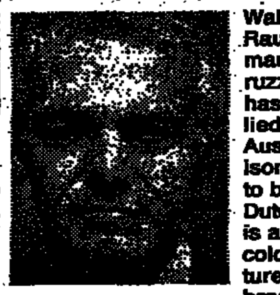
ICI reflects on image of success

"We could do with a good recession." That was the not entirely tongue-in-cheek remark muttered by a top executive at Imperial Chemical Industries, Britain's biggest chemicals company, which in recent years has experienced a few problems. However, the difficulties have been more to do with image than substance, and few people are likely to be wildly displeased with the company's 1988 results. Page 28

Germany embarks on voyage into the futures market

Germany is preparing its belated push into the highly competitive world of futures and options trading. The ultimate aim - to create a German exchange with the highest regulatory standards which will trade products that appeal to international institutions — unites all the schools of thought. But a spate of recent news has sharply upped the competitive stakes. Haig Simonian reports. Page 27

Cultures clash on Wall Street

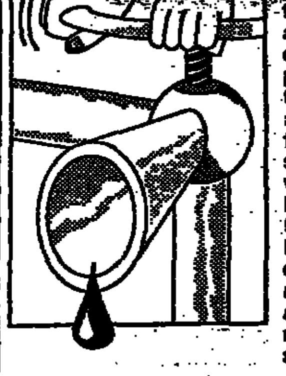


Wall Street's image of Raul Gardini (left), chairman of the Italy's Ferruzzi-Montedison group, has been somewhat sullied by the disastrous Ausimont affair. Montedison's controversial bid to boost its control of the Dutch Antilles subsidiary is an example of a colossal clash of cultures and replete with broader implications for the way Italian companies approach the US investment community. Page 22

Dutch courage in the Amsterdam market

Tracking the performance of the Amsterdam stock market requires a bit of Dutch courage these days. Equity investors there have the dubious honour of being able to choose from 30 share indices. Two new indices were introduced at the start of this year, another is soon to be phased out, and the situation is proving rather confusing, writes Laura Raun. Page 44

Fuelling the co-operative spirit



A group of non-Opec producers is offering to reduce exports as a contribution to the cause of higher oil prices. The cuts themselves do not amount to much but the hope is that the show of moderation will encourage members of the Organisation of Petroleum Exporting Countries cartel to show more restraint in the future and help build a more co-operative spirit. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Epeda	1180	+	25
Rises				Falls			
Linde	768	+	23.5	[illegible]	500	−	31
Feldmuehle	535	+	8	[illegible]	1855	−	89.8
Lufthansa	162	+	4.2	[illegible]	380	−	17.2
Bayer Hypo	356	+	9	[illegible]	148	−	8.8
NEW YORK ($)				La Henin	830	−	23.9
Rises				**TOKYO (Yen)**			
Petrolane Prcs	25¼	+	1⅛	Rises			
3Com Corp	29⅞	+	1⅜	Daido Steel	1240	+	200
Falls				Showa El Wire	1240	+	140
Champ Spk Plug	21	−	1⅛	Sato Kogyo	2520	+	270
Fleetwood	17¼	−	2⅜	Falls			
General Motors	87	−	1	[illegible]	1100	−	120
IBM	123⅞	−	1⅞	Tanabe Seiyaku	1670	−	160
PARIS (FFr)				Nippon Foil Mfg	880	−	45
Rises							
Peugeot	420.0	+	16.5				
New York prices at 12.30.							
LONDON (Pence)				BICC	444	−	7
Rises				BPB Inds	247	−	7
Appleyard	439	+	12	[illegible]	504	−	7
Beazer	293	+	8	GUS A	1115	−	13
Bank Ireland	273	+	8	[illegible]	75	−	5
Cap & Counties	328	+	8	NatWest Bank	294	−	13½
Inchcape	255	+	8	P & O Dfd	585	−	18
Local London	546	+	5	[illegible]	86	−	8
Logica	404	+	7	Sainsbury (J)	223	−	9
Lowe Hwrd-Spink	394	+	8	Stand Chart	535	−	14
Magnet	302	+	8	Tarmac	282	−	12
Orchid Tech	150	+	22	United News	443	−	12
Reckitt Colman	1047	+	10				
Falls							

NatWest buys US bank for $282m

By David Lascelles, Banking Editor, in London

NATIONAL Westminster Bank, the largest UK clearing bank, is adding to its banking network in the north-eastern US with the $282m agreed acquisition of a New Jersey bank.

The purchase of Ultra Bancorporation, holding company of *First National Bank of Central Jersey*, will make NatWest the 36th largest bank in the US with some $20bn of assets, Mr John Tugwell, chief executive of NatWest's international businesses, said yesterday.

The acquisition extends NatWest's strategy of gradual expansion through the north-eastern US. Ten years ago it bought a bank in New York state now called NatWest USA. Eighteen months ago it added a New Jersey bank, now called NatWest Bancorp NJ.

Mr Tugwell said NatWest wanted to build up a "super-regional" bank able to take advantage of the gradual relaxation of barriers to inter-state banking.

Further acquisitions in neighbouring states would therefore be logical though there was nothing more in the pipeline.

NatWest has indicated for several months that it was interested in further acquisitions in the US. The other big UK clearing banks have retreated from the US retail market in recent years after suffering heavy losses.

First National has assets of $1.25bn and 35 branches in the central Jersey area.

Mr Tugwell said the acquisition *would complement* NatWest's operations in New York state and New Jersey. He described First National as "a highly profitable community *bank with excellent management* and no international loans." It had virtually no overlap with NatWest Bancorp NJ.

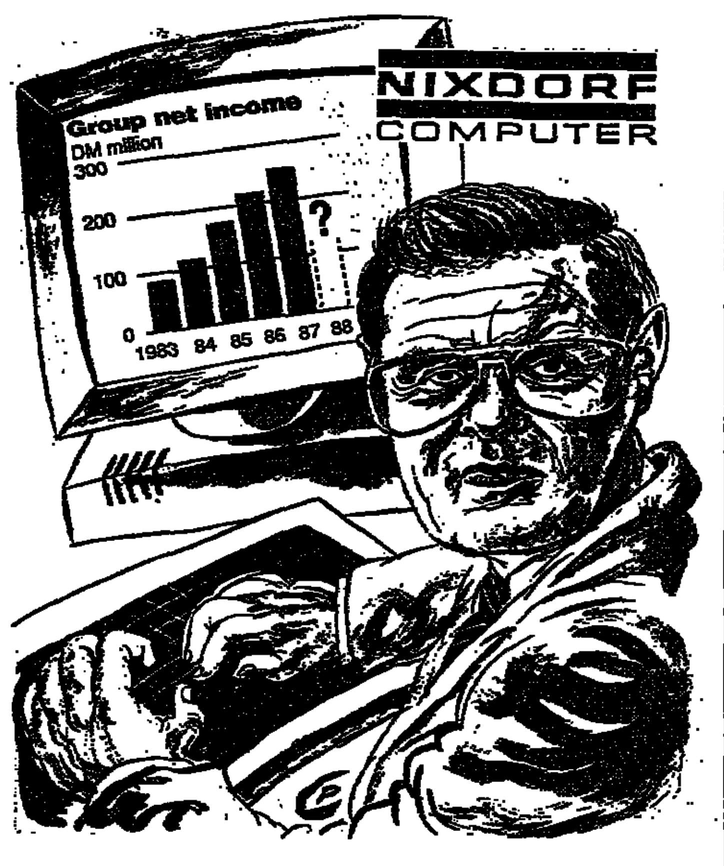
NatWest will pay $50 a share, a premium of more than 50 per cent over the $32.50 at which the shares closed on Monday night. The total price is equivalent to 15.5 times earnings, or 2.4 times Ultra's expected net asset value when the deal is scheduled for completion in the latter part of this year. At the end of 1988, the net asset value was $103m, and net income $17.1m.

Mr Tugwell said that while the price might seem high, it was justified by the quality of the bank's business and its profitability.

NatWest is protecting its offer, which needs regulatory approvals, by acquiring warrants to buy new stock equivalent to 24.9 per cent of the bank's outstanding stock at $39 a share.

The glamour fades quickly at Nixdorf

Andrew Fisher on the problems of a West German computer maker



Nixdorf has opened the curtain a little wider on what has turned out to be a disastrous year for the West *German computer company. The* news, including a swingeing cut in the dividend, was worse than even the most pessimistic expectations. Yet Mr Klaus Luft, the chairman, remained the picture of unflappability and managed to give the impression that he was addressing a sales convention rather than a press conference.

Nixdorf used to be *the* German glamour stock, marked out from the more stolid German industrial heavyweights by its buoyant sales and profits performance, its innovative spirit, and its sheer exuberance. *But the glamour has* faded.

Today, Nixdorf is struggling hard to recover its poise, although it remains safe from predators because of its typically German shareholding structure, in which voting control is in the hands of foundations and the Nixdorf family.

So bad was last year's performance that no dividend at all will be paid on the voting stock, while the payment on the quoted preference shares will drop from DM10 to DM4.

Nixdorf has always had the capacity to surprise. But in its halcyon days, the news was always of sustained growth, each year topping the last by a wide margin. *Only a year or so ago*, the ebullient Mr Luft, 47, was still talking of doubling turnover every five years.

Recently, however, the sur*prises* have been unpleasant. "There's always something round the corner," says Mr Reinhard Fischer, an analyst with Banque Paribas Capital Markets in London. Although it was apparent from early 1988 that growth was tapering off and costs rising, the investment community became steadily more irritated as the unfavourable news mounted. Noting that the bad news had emerged drop by drop, Banque Paribas said ominously in a recent study: "We think that some remaining bitter drops are *yet to come.*"

What has gone wrong?

Neither Mr Luft nor his colleagues was prepared to talk further this week about the company's problems and how they hope to solve them. It is an attitude that contrasts oddly with Nixdorf's previous openness, although managers are clearly feeling beleaguered now that the company's fortunes have declined so quickly.

In straight commercial terms, Nixdorf has been hit by fierce *competition in its main product* and geographical markets (just over half of its business is in Germany and most of the rest in western Europe); a sharp rise in memory chip prices (a difficulty suffered by other manufacturers too) and a considerable drop in the selling prices of its computer equipment.

Its profitable market for bank terminals stagnated, while expansion in the retail market, with lower margins, was not enough to compensate. At the same time, labour costs soared because of its *high level of staff hirings in 1987.*

But there is a more fundamental question than that of prices: does the present management lack the farsightedness and tough pragmatism of the late Mr Heinz Nixdorf, who began the company in a basement workshop in 1952? Somewhat of a maverick on the German business scene, the outspoken Mr Nixdorf was one of the pioneers of decentralised computing — offering customers solutions based on mini-computers, individual terminals and workstations for offices, banks, stores, and small companies. This contrasted with IBM's mainframe-based approach.

Common industry standards, which have been widely accepted by users, have made it easier for rivals to eat into Nixdorf's markets

Mr Luft, whose background is in marketing, took over as chief executive when Mr Nixdorf died of a heart attack at the age of 60 three years ago. When he took over *as chairman, he had* been with the company 19 years.

At first, with sales advancing smartly, the transition looked smooth. But many analysts and investors now feel Mr Luft and his board were too slow to react to changed market conditions.

Analysts say the company's organisation into geographical, rather than product, divisions prevented clear thinking along strict sector lines, a handicap recently overcome by setting up strictly defined management responsibilities for banking, retail, small business, and big institutional clients.

Moreover, Nixdorf had grown too used to succeeding with its own proprietary products, at a time when the industry was moving rapidly towards solutions based on integrating a variety of equipment and software based on *common industry standards.*

As such standards have been more widely accepted by users, it has been easier for rivals to eat into Nixdorf's markets.

Analysts expect the company to announce an operating loss for 1988, with property sales providing enough cash for the shrunken dividend and for restructuring and development needs. Susan Anthony of Robert Fleming Securities also foresees operating losses in 1989, with costs rising faster than sales growth of a probable 4 per cent.

Admitting that profit margins had fallen sharply, Mr Luft declined to comment in detail on earnings before the final figures in April. "But if we are proposing to pay *only DM4* on the preference shares, it is clear that our profits collapse was considerable," he said last week. Compared with the heady growth of *earlier years, turnover was only* 5 per cent higher at DM5.3bn ($2.9bn), with the order backlog up just 1 per cent to DM5.15bn.

"The sales were right at the bottom end of the company's predictions," noted Mr Adrian Brundrett, a Frankfurt-based analyst with Bank in Liechtenstein, noting that Mr Luft had forecast in November a turnover rise of between 5 and 10 per cent. "Personnel expenses are way at the top. Everything has moved the wrong way."

Labour costs soared 16 per cent to DM2.1bn, as Nixdorf, still fixated by a belief in constant growth, based on its existing products, took on nearly 4,000 people in 1987 and 1,600 last year.

To overcome its problems, Nixdorf is now trying frantically to cut costs. Staff numbers will ease by around 1,600 this year from *31,000*. "In our growth phases, our pencil was not necessarily sharp enough," said Mr Luft. "In 1988, we began to learn."

Fat is being cut elsewhere, as shown by the fact that last week's press conference was held in Frankfurt rather than, as a year ago, forming part of a jolly, two-day gathering in the Swiss ski resort of Davos.

The company is also changing its product strategy, shifting further away from hardware, into services and software based on personal computers or industry-wide standards like Unix. But *analysts question whether this* will work or prove too costly, since it involves higher research and development costs.

The chairman reckons group profits will not return to around the 1987 level of DM264m until the early 1990s. The amiably persuasive Mr Luft may be the man to achieve the recovery, helped by the strength of Nixdorf's balance sheet. But a huge question mark now stands over both him and the company which was once the star of Germany's corporate scene.

Sofe shuts down as tax hits trading

By Sara Webb in Stockholm

SWEDEN'S Options and Futures Exchange (Sofe), the smaller of two options exchanges in Stockholm, surprised the financial community in Sweden yesterday by suddenly announcing it is closing due to lack of business.

It pinned the blame firmly on *the introduction of a new turn*over tax which came into effect on January 1 and which has forced market makers to wind down their activities in recent months. The closure takes effect immediately.

The turnover tax of 1 per cent on options and futures contracts was officially introduced to cool down the financial markets, but it was also a *political* concession to the trade union movement by the Social Democrat Government.

"We have been very severely hit by the turnover tax and it is *impossible* to continue as an exchange in this climate as we have had no trade since mid-January," said Mr Dan Stridsberg, Sofe managing director.

He added that the agreement signed last month, whereby the European Options Exchange in Amsterdam would acquire a 40 per cent stake in Sofe, had been called off.

Sofe said both the premium volume and the volume of index options contracts traded had fallen off towards the end of last year as market makers such as *Arbitech* and *Servisen started* to scale down their business in preparation for the new tax.

The total premium income for 1988 fell to SKr1.09bn ($173m), compared with SKr1.62bn in 1987.

Sofe said it expects to show a loss for the second continuous year, but added that the loss made in 1987 was due to heavy start-up costs rather than poor business.

Mr Stridsberg said 12 exchange staff had been sacked yesterday but added that Sofe's systems staff would keep working.

Sofe will continue to develop and market its trading system, known as Sits, which it has sold to the Stockholm and Oslo stock exchanges.

Sweden's options market started off with a bang in 1985 when OM, the rival Swedish options exchange, began functioning.

Demand grew *rapidly* and, as there were complaints about OM's high transaction costs, it appeared there was room for a competitor.

Sofe started up in March 1987 as a non-profit exchange, but had difficulty keeping its market share and eventually abandoned its stock options to concentrate on index options.

Procordia drops Bassett bid

By Lisa Wood in London

CADBURY SCHWEPPES, the UK soft drinks and confectionery group, yesterday appeared to be the victor in the takeover battle for Bassett Foods, the UK Jelly Baby manufacturer, as Procordia, the Swedish group, abandoned its hostile £63m ($109m) offer.

Procordia, which has spent the last couple of weeks considering whether it would top Cadbury's agreed £91m bid, announced that *its offer was lapsing and it* was selling its 10.2 per cent stake in Bassett.

Industry observers said Cadbury, which holds a 14.9 per cent *stake in Bassett, was probably* home and dry with its bid.

Cadbury is offering eight new shares for every five already held in Bassett, the equivalent of 571p per share. There is also a cash alternative of 536p per share. Bassett's share price closed at 564p per share, down 3p, and Cadbury closed at 357p per share, down 4p.

Procordia, which sells no confectionery in the UK or West Germany, Europe's largest sugar confectionery markets, wanted *Bassett to increase its distribu*tion and product range in the European Community.

Mr Göran Linden, Procordia's deputy chief executive, said the price would have been too high if he had sought to exceed the Cadbury bid. He said: "We wanted Bassett very much as we believed it would fit very well into our strategy.

"However, the sugar confectionery sector in Europe is very fragmented and there are several opportunities for us in the future. Bassett was not the only possible step we could have taken."

But Bassett was one of the best immediate takeover opportunities available to Procordia, since many companies in the sector — such as Trebor — are in private hands.

Cadbury, which has only got a 3 per cent share of the £1bn a *year UK sugar confectionery* market, with brands including Midget Gems, had been looking at Bassett's business when Procordia made its bid. This enabled Cadbury to emerge as a white knight.

The group, which has been more aggressive since General Cinema, the US cinema group built up an 18.1 per cent stake, wanted to either get bigger or get out of sugar confectionery. Cadbury, which plans to put its own sugar confectionery business into Sheffield-based Bassett, says there are a considerable number of synergies to be made.

Woolworth adopts new plumage

By Maggie Urry in London

AFTER years of thought and months of research, Woolworth Holdings, the large British retailer, is adopting bright new plumage — by changing its name to Kingfisher.

The bird's name — which will apply to the group rather than the company's high street stores — has precious little connection with the business: Woolworth gave up its position as the UK's *leading retailer of fishing rods* some time ago because angling equipment did not fit its "focus" strategy.

But Mr Nigel Whittaker, the group's corporate affairs director, explained yesterday that the name had been chosen because "the kingfisher is highly distinctive and instantly recognisable; it is expert at what it does and it is a great favourite with the public."

The purpose of the new name is to emphasise how much Woolworth itself has changed since it was bought from its American parent in 1982 in a deal backed by big City institutions. The group now incorporates other retail brands like Comet, the electrical chain.

WOOLWORTH HOLDINGS PLC

KINGFISHER

Woolworth has taken the corporate name of Kingfisher to fit its new image

In the search for a new corporate symbol, Woolworth was seeking a word which was sensible, memorable, and easy to say. Wolff Olins, the corporate identity consultant, was employed to dream up a shortlist.

Mr Geoffrey Mulcahy, chief executive, yesterday brushed *aside suggestions that a king*fisher only catches minnows — Woolworth is an acquisitive group — or the fact that people glimpsing the bird usually see nothing more than a *blue flash.*

The hunt has cost the company well under £1m ($1.7m), including the cost of buying up the name of the dormant Kingfisher company which someone had cleverly registered first, and the new name will have to be approved by shareholders.

But whatever else it does, the name change will also stop Woolworth suffering from "alphabetism" — discrimination against companies with initial letters near the end of the alphabet

Gulliver sells 67% holding in Jacksons

By David Waller in London

MR JAMES GULLIVER, the former chairman of the UK retailing group, Argyll, has abandoned his attempts to turn Jacksons Bourne End, a UK property shell with interests in shoe components manufacturing, into a broadly-based leisure group.

Instead, he and his business associates have sold their 67 per cent stake in the Buckinghamshire-based group to Vaselia, a private company run by three property entrepreneurs, Mr Leo Noe, Mr Mark Gurney and Mr Berish Berger, for £8.55m ($14.96m).

A statement from Mr Gulliver's office said the move would free him to concentrate on his larger quoted investments, which include Lowndes Queensway, the group that took over Harris Queensway last summer, and Waverley Cameron, the stationer.

The Scottish entrepreneur and his business associates, principally Select Country Hotels, took a 60 per cent stake in Jacksons in January last year for £5.67m. That holding was subsequently increased to 67 per cent.

Danish savings bank takeover

By Hilary Barnes in Copenhagen

DK SPAREKASSEN, the Danish savings bank which ran into difficulties last autumn, has been taken over by Bikuben, the country's second largest savings bank.

Bikuben is acquiring a regional savings bank with 45 branches and a balance sheet total of DKr8bn ($1.12bn). The acquisition has caused Bikuben to postpone for a month a planned conversion from its status as a self-owning institution to a joint stock company.

This is now planned for April 28. Bikuben meanwhile reported a rise in pre-tax profits from DKr32m in 1987 to DKr317m last year, despite loss provisions and depreciation rising from DKr324m to DKr597m. The balance sheet total rose from DKr50.4bn to DKr60.4bn.

Paribas unit buys 20% Australian drug group stake

By Paul Betts in Paris

PARIBAS, the French financial group, has acquired a 19.9 per cent stake in Western Capital, an Australian group specialising in pharmaceuticals, as part of its efforts to build up a portfolio of industrial interests in the health care and pharmaceutical sector.

At the beginning of this year, Paribas launched a subsidiary, Paribas Sante, which specialises in taking stakes in promising pharmaceutical ventures. This has now acquired stakes of between 15 and 35 per cent in four ventures, including the Australian company and a homoeopathic laboratory in Switzerland.

Paribas Sante has so far invested about FFr300m ($48m) in its various stakes.

Paribas did not disclose yesterday how much it had paid for Western Capital, which controls a pharmaceutical company called Cortecs in the UK and an Australian laboratory, Auspharm. However, Western Capital, which is quoted on the Perth Stock Exchange, has a total stock market value of about A$90m (US$73m).

The investments in the pharmaceutical sector are part of Paribas' current strategy of building up its holdings in various industrial and service sectors which the bank believes offer promising medium- and long-term growth potential.

In a separate deal, Sanofi, the French pharmaceutical and cosmetics group controlled by the Elf-Aquitaine oil company, has further expanded its presence in the US with the acquisition of Iowa-based Quality Plus Essar, which specialises in veterinary products. The US company has annual sales of $30m. The price of the transaction was not disclosed.

Cookson raises stake in Johnson Matthey to 8%

By Clare Pearson in London

COOKSON GROUP, the UK specialist metals and chemicals company, has increased its stake in Johnson Matthey to 8 per cent, apparently signalling its determination to play a role in the future of the UK precious metals and materials technology group.

The move was interpreted as showing that Cookson wanted a place at the bargaining table if there were any change in the status of JM, which has substantial links with the network of companies controlled by the South African Oppenheimer empire. Many of these companies – which include Anglo American, the South African mining house, and Minorco, the Luxembourg based investment group – are currently involved in considerable upheaval.

Cookson revealed an initial 6.3 per cent stake last summer and said then that it could be interested in almost all areas of JM's business aside from platinum activities – which account for about half of its profits.

JM is linked to Anglo American by being the sole refiner of platinum for its Rustenburg mine. It is also 38 per cent owned by Charter Consolidated, itself 36 per cent owned by Minorco, which this week renewed its £3.2bn ($5.6m) bid for Consolidated Gold Fields.

Meanwhile, last autumn's board room coup at Charter Consolidated, leading to the appointment of Sir Michael Edwardes, Minorco's chief executive, as non-executive chairman, has pointed to a restructuring of this UK mining, manufacturing and investment group.

Cookson, which bought its original stake at around £3 per share, will have paid about £3.50 each for the extra 2m shares picked up over the last week.

Yesterday Cookson's shares fell 12p to 307p, valuing the company at about £1bn. JM shares closed at 349p, up 4p, giving the group a market value of around £600m.

Belgian retailer sees strong advance

By William Dawkins in Brussels

GIB, Belgium's largest supermarket group and the country's biggest employer, expects consolidated net profits for 1988 to rise by between 15 and 20 per cent, on a 20 to 22 per cent turnover increase.

This implies that profits for the year ended January 31 will be roughly BFr2.2bn ($57m), against the previous year's BFr1.9bn, with turnover up from BFr140.8bn to BFr170bn, said the company, formerly known as GB-Inno-BM. The directors estimated that the current year should produce a net surplus of around BFr2.5bn. Final accounts are due in May.

All the group's activities were profitable except for its smallest supermarkets, some restaurants and its traditional central city department stores, said Mr Francois Vaxelaire, group president.

GIB will spend a record BFr3.4bn this year – 18 per cent more than in 1988 – on upgrading its Belgian supermarkets and introducing new technology for management, plus BFr1.1bn on its home improvement stores in the UK, Portugal and Spain. GIB also has interests in the US and France.

GIB's announcement left the shares unchanged at BFr1,404.

Adidas to alter legal status

ADIDAS, the West German sporting goods group, said it will convert its legal form into an Aktiengesellschaft, a public stock company, but does not plan a public share offering, AP-DJ reports.

The new parent company, Adidas AG, will incorporate the domestic operations and will act as a holding company for the foreign subsidiaries. The move was necessary to adapt Adidas' structure to the needs of a large and international corporation.

Adidas' nominal capital will be DM120m ($65m), to be held in equal shares by the families of the five children of the late Mr Adolf Dassler, the founder.

The Peasant falls foul of NY arbs

Alan Friedman on the failed bid to buy out the Ausimont minority

If the story of Raul Gardini's failed attempt to buy out minority shareholders in his Montedison group's Wall Street-quoted Ausimont subsidiary had been a sporting event it might have been called "The New York Arbs vs. the Peasant from Ravenna."

But the controversial $280m offer by Montedison to boost its control of the Dutch-registered specialty chemicals company from 72.6 per cent to 100 per cent was not a sporting event; it was a disastrously handled financial operation that has blocked Montedison's plans for Ausimont and at the same time sullied the image on Wall Street of Mr Gardini, who because of his agrarian roots is known by the nickname-loving Italian press as *Il Contadino*, or The Peasant.

The story of the Ausimont affair, although it may appear to be merely a conflict between arbitrageur-investors on Wall Street and Italy's second biggest private sector group, is, however, replete with broader implications for the way Italian companies approach the US investment community.

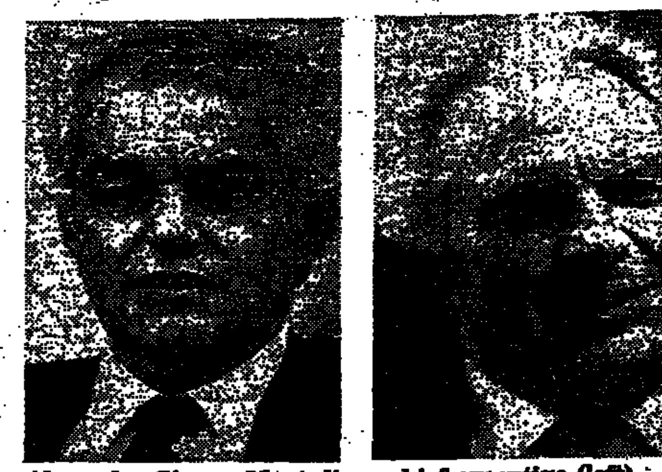
For a European agricultural and chemicals concern such as Mr Gardini's Ferruzzi-Montedison group there may be lessons to be learned, in terms of both style and substance when dealing with non-Italian financial institutions. For Wall Street the case may illustrate the difficulties of trying to apply Anglo-Saxon standards to operations by Italian industrialists used to having their own way in the small and clubby market of Milan. Above all, the Ausimont affair is an example of a colossal clash of cultures.

The facts relating to the Ausimont saga can be summarised briefly enough: last year a debt-saddled Mr Gardini considered selling off the Montedison subsidiary and caused Ausimont to commission a study by Morgan Stanley, the US investment bank, of options including Ausimont's potential break-up value.

Last autumn Mr Gardini changed his mind and decided instead to try to buy up the 27.4 per cent of Ausimont he did not already own. It was essential that Montedison secure at least 95 per cent of Ausimont, because under Dutch law this is the level at which Montedison could force minority investors to sell out.

Montedison's initial offer of $33.50 a share last September was rejected as inadequate by Ausimont's four independent directors, who argued that the break-up value was nearer to $40 a share. Last December a low-level investor relations executive was despatched by Montedison to New York and tried to persuade the recalcitrant board members to accept $35 a share.

The outside directors refused to budge and some shareholders began to threaten legal action. But Mr Gardini, or those who advised him, remained adamant and Ausimont's own board was unable to endorse or reject the Montedison $35 a share bid, which was launched on January 20.



Alexander Giacco, Montedison chief executive (left), is not regarded as a long-term Raul Gardini man

Morgan Stanley, which has served as dealer-manager of the Ausimont offer, told Montedison it believed that $35 a share was a fair price. But did Morgan Stanley – in the light of already apparent opposition to the $35 offer – advise Mr Gardini to offer more? The bank yesterday declined to comment on the matter.

With minority investors in New York threatening class action lawsuits against Montedison and the Ausimont offer set to close last week a new development further aggravated the situation: Oppenheimer, a New York investment firm, disclosed it held 5.2 per cent of Ausimont, enough to block Mr Gardini's plan fully to incorporate the company.

Moreover, Oppenheimer, with an investment of around $45m in Ausimont stock, said the $35 offer was unfair and threatened action to block a proposed transfer of Dutral, an elastomers division, to Enimont, the new chemicals venture between Montedison and the state-owned Enichem.

The Montedison offer was extended by a day, but the final results show that Mr Gardini has secured only 88.2 per cent of Ausimont, plus the wrath of both minority investors and professional arbitragers, who think their threatened legal action will bring *Il Contadino* around.

Whatever Mr Gardini may be, he is not a compromiser. His background is in commodity trading and his temper is renowned. Early last year, for example, when Mr Gardini engineered a controversial asset play that shifted substantial holdings out of Montedison and into his Ferruzzi master company, he was accused of riding roughshod over the interests of 100,000 Montedison minority shareholders.

His response to foreign criticism was to declare that "This is an Italian operation in the Italian market and if investors don't like it they can leave it."

These words have already come back to haunt Mr Gardini, for, as he is discovering, not all of his aims can be achieved on the Milan bourse alone. And foreign investors do not necessarily just "leave" an offer – they may fight back.

Mr Gardini's management style reflects his maverick approach: at Montedison he has filled some top jobs with family friends and a handful of Ferruzzi aides so that decision-making is highly centralised.

Mr Alexander Giacco, a 69-year-old American who formerly ran Hercules, the US chemicals group, was named chief executive of Montedison last year, but he is not considered a long-term Gardini man. Indeed executives inside Montedison have suggested that Mr Giacco was instrumental in insisting on the $35 offer for Ausimont, a decision that one informed observer described as "a macho stance that has cost us dearly." Montedison has thus far declined to comment on the Ausimont affair and neither Mr Gardini nor Mr Giacco have been available for interviews.

In New York Mr Jim Harmon, one of the four Ausimont independent directors who criticised the $35 offer, has described the situation as "a terrible tragedy for all concerned." Mr Harmon and others in the US warn that Mr Gardini's refusal to pay a dollar or two more on Wall Street could prove costly in legal fees and image.

Whether the Ausimont affair leads to a protracted legal dispute or not remains to be seen, but Mr Gardini's image in the US has already been tarnished.

One Ausimont institutional investor on Wall Street grumbled that "for a few dollars more Gardini could have settled this thing." In Milan, a wall of silence surrounds the whole affair. Mr Giacco, when he addressed US analysts in New York last week, said he could not talk about Ausimont.

The damage resulting from what is essentially a smallish matter may be seen in future if and when Enimont seeks to raise funds from American investors. In Italy, where Mr Gardini's financial restructuring of the Ferruzzi-Montedison group has been helped by the protection of Mediobanca, the powerful merchant bank, it is still possible to thumb one's nose at market criticism.

But in the strange tale of the "New York Arbs vs. the Peasant from Ravenna," Mr Gardini has got himself the Wall Street equivalent of a bloody nose.

INTERNATIONAL COMPANIES AND FINANCE

Ashok to lift spending after profit doubles

By David Housego in New Delhi

ASHOK LEYLAND, the Indian truck and bus group, plans a big increase in investment after more than doubling pre-tax profits last year to Rs205m ($12.54m).

The group, which was recently taken over by the Hinduja family and Iveco, a subsidiary of Fiat, has announced that it will invest Rs1bn over the next two years, compared with Rs290m over the past 24 months. Part of the investment is to go towards developing new buses and trucks for export in conjunction with the Fiat group. Mr Ram Shahaney, the company's managing director, said that the "new breed" of products would be defined by June.

Ashok Leyland's turnover rose by 23 per cent last year to Rs5.2bn, on the back of a 17 per cent surge in domestic demand for medium and heavy vehicles. Unit production rose 13 per cent to 18,027 vehicles.

The sharp increase in new investment is to be financed in part out of a new convertible debenture issue intended to raise Rs515m. Mr Shahaney made clear that "the quantum jump" in investment over the next two years was part of longer-term expansion plans.

The Hindujas, the wealthy London-based Indian trading group with large industrial ambitions in India, bought the 39 per cent British stake in Ashok Leyland from the Rover group in 1987. Iveco was brought in to provide the company with new designs and technology.

The Rs1bn investment will also go towards rehabilitating the company's parent plant at Madras.

Mayne Nickless moves ahead 40%

By Chris Sherwell in Sydney

IMPROVED EARNINGS from its transport businesses and strong performances in Australia and the UK have pushed interim profits 40.3 per cent higher at Mayne Nickless, the Melbourne-based international transport and security services group.

Figures released yesterday for the six months to January 1 showed after-tax profits increased to A$51.9m (US$42.2m) from A$37m in the same period last year. On an equity-accounted basis, they rose 42.4 per cent to A$57.3m.

Consolidated group revenues climbed 15.6 per cent to A$892m, and rose above A$1.1bn when associates were included. Directors said they expected a "good result" for the second half based on January and February figures.

A detailed breakdown of the results revealed that revenues and earnings from the group's security services were flat, so that the bulk of the improvement in the group's performance was attributable to transport services.

Thus, profit before interest and tax for the freight and transport businesses rose to A$42m from A$31m, on revenues which increased to A$518m from A$401m, whereas profits from security services inched up to A$31m from A$30m and sales crawled to A$321m from A$320m.

A geographical breakdown showed Australian operations remained at the core of the group's success, with profit before interest and tax climbing to A$73m (A$54m) and revenues rising to A$541m (A$427m).

UK profits also improved, moving to A$11m from A$8m, as did revenues, which increased to A$100m from A$86m. The expanded Parceline freight operation achieved "substantial" revenue growth, the company said, while the Security Express and Armaguard security operations recorded "an outstanding profit improvement."

Both the US and Canada, on the other hand, recorded falls in profit and revenue, with the US plunging into the red because of losses at Loomis Armoured.

Unlike some Australian companies, which have recently complained about the strength of the Australian dollar, Mayne Nickless said yesterday its reported profit was "not materially impacted" by the currency's appreciation "due to the spread of the company's operations and the currency hedging programmes in place."

Directors declared an interim dividend of 15 Australian cents per share, up 70 per cent on the previous figure after adjusting for the one-for-five scrip issue during the year. The dividend is fully franked.

Koor forecasts return to black after 1988 losses

By Andrew Whitley in Jerusalem

KOOR INDUSTRIES, the leading Israeli group which recently reached agreement with its creditors on a debt rescheduling programme, has forecast a return to profitability this year, after heavy losses in 1988.

A report submitted yesterday to its parent organisation, Hevrat Ha'Ovdim, the holding company of Israel's labour federation, revealed that overall losses in 1988 were likely to exceed Shls500m (US$277m). Half of this came from extraordinary costs resulting from lay-offs and factory closures.

In a foreword to the group's 1989 work plan, Mr Benjamin Gaon, the chief executive, says that any unit which does not show an operational profit "will cease to exist within the framework of Koor."

Operational profitability for wholly-owned subsidiaries is estimated to reach Shls220m this year. Overall, though, Koor Industries will probably remain in the red during 1989.

As part of its recovery programme, Koor is to embark this month on an internal reorganisation. This will involve a reduction in the number of its operating divisions and further dismissals of managerial staff.

The group says it will lay off another 2,000 workers this year bringing the total workforce down to 24,470. At its peak, Koor employed over 31,000 people.

A hitch has, meanwhile, arisen in hopes that the winding-up request filed in the Tel Aviv District Court last October by Bankers Trust, a leading creditor, will shortly be withdrawn. Israeli bankers say the problem concerns the foreign creditors' demand that they help supervise Koor's disposal of its assets.

Turnover during 1989 is forecast to reach Shls5.09bn, a 2 per cent increase.

Former BNZ chief details differences with Caygill

By Dai Hayward in Wellington

CONCERN that the Bank of New Zealand may pass into overseas ownership was one of the main differences between the New Zealand Government and Mr Rob Campbell, the former acting BNZ chairman, who resigned on Tuesday.

Mr Campbell, who will remain on the board, knew before he resigned that he was not one of the Government's choices for the new chairman and deputy chairman. Yesterday he outlined some of the factors leading to the difference of opinion between himself and Mr David Caygill, the Finance Minister.

Fundamental to all these is the Government's wish to sell BNZ as soon as possible. The sale has been in abeyance since late last year, when it failed to attract a sufficiently high price. Mr Campbell believes the sale process should be halted to allow the bank to concentrate on rebuilding stability. It should not be sold in a way that will allow control to pass into overseas hands, he said.

Later yesterday, Mr David Lange, the Prime Minister, and Mr Caygill agreed at a meeting instigated by the Prime Minister to investigate Mr Campbell's comments. A spokesman for Mr Lange said the purpose of the meeting was to "stop the affairs of the bank being discussed in the public forum."

Mr Campbell said he had agreed not to expand his views publicly. He had earlier said some of the advisors to the BNZ could not distinguish between "a trading bank and a piggy bank."

Mr Caygill has said the Government will consider bids from overseas buyers that meet the necessary criteria. Elders Financial Group, and the National Australia Bank are among potential overseas buyers known to be interested.

INTERNATIONAL APPOINTMENTS

Seagram designates a son of chairman as next president

By Robert Gibbens in Montreal

MR EDGAR Bronfman Jr, 34, will become president and chief operating officer of the Canadian Seagram group, the world's largest drinks company, on July 1.

A son of Mr Edgar M. Bronfman, of New York, chairman and chief executive of Seagram, Mr Bronfman Jr has been executive vice president of Seagram's US operation since last August. He will remain in that post until succeeding as group president in July Mr David Sacks, who has been appointed vice chairman.

Edgar and his brother Charles, co-chairman of Seagram, had a public tiff over the succession three years ago when Edgar said Edgar Jr rather than Sam, his eldest son, would be the next head of Seagram. Later, Charles accepted this, but a clear division was made between the family of Charles in Canada, and that of Edgar's in New York.

On July 1, Mr Sacks will also take up a position as president of the United Jewish Appeal Federation of Jewish Philanthropies of New York.

★ ★ ★

MR GEORGE Ebright, a well-regarded executive who recently resigned as president and chief operating officer of SmithKline Beckman, the large Philadelphia-based drugs group, has been named president and chief executive officer of Cytogen, a small US pharmaceuticals company.

Mr Ebright's departure a month ago from SmithKline, which has been facing severe problems in its main drug markets, followed differences with Mr Henry Wendt, chairman and chief executive. At Cytogen, Mr Ebright succeeds Mr Robert Johnston, who remains chairman.

★ ★ ★

EATON, the US automotive parts and electrical equipment manufacturer, announced that Mr William Butler, formerly president of its automotive components division, has been named corporation president and chief operating officer.

Mr Alfred Rankin Jr, 47, Eaton vice chairman and COO since 1986, is leaving to join Nacco Industries, a coal mining and manufacturing concern less than a quarter of the size of Eaton. The Rankin family has held major holdings in Nacco for many years.

The move appears to place Mr Butler, who is 57 and a 32-year veteran of the company, in position to succeed Mr James Stover, 62, who has given up the post of president but remains chairman and chief executive at Eaton.

Mr Rankin succeeds Mr Ward Smith as Nacco president and also becomes COO, while the latter retains the chairman and chief executive roles.

★ ★ ★

THE New York-based Prudential-Bache Securities, a worldwide investment banking and brokerage concern, has made Mr W. James Tozer Jr president and chief operating officer.

The company is a subsidiary of Prudential Insurance of America, which is owned by its policy holders and is the largest US insurance firm.

Mr Tozer replaces Mr James T. Barton as president, the latter having moved to the role of vice chairman, focusing on client and industry relationships. Mr Tozer left Marine Midland Bank in 1987 after serving as one of its top officers, and since had been managing a portfolio of personal investments and business ventures.

★ ★ ★

THE BOARD of Public Service of Colorado elected Mr Delwin D. Hock as chairman designate. He will take up the position on February 28, as well as remaining president and chief executive.

Champion Plug agrees $800m offer by Cooper

By Karen Zagor in New York

CHAMPION Spark Plug, an Ohio-based motor components manufacturer, has signed a definitive agreement to be acquired by Cooper Industries for $21 a share in cash. The offer is valued at almost $800m.

Cooper, a Houston-based company, said the tender offer for all outstanding Champion shares would begin tomorrow. The offer will be followed by a merger in which all shares not acquired by Cooper in the offer will be exchanged for $21 apiece in cash.

Cooper said that it would try to complete the acquisition as soon as possible after May 1. It added that the offer is not conditioned on the receipt of financing.

Before accepting the Cooper bid, Champion had agreed to be acquired by Dana Corporation for $17.50 a share in cash and securities. Dana will receive $15m in compensation for Champion's failure to honour the agreement.

Cooper, which had 1988 revenues of $4.5bn, makes products for the electrical, electronic, commercial, industrial, compression and drilling markets. In 1988 it paid $322m for RTE, an electrical equipment group.

Bush thrift rescue plan 'underestimates cost'

By Lionel Barber in Washington

PRESIDENT BUSH'S plan to rescue the troubled savings and loan industry faces rising scepticism among Congressional and private sector critics who argue it underestimates the true cost of the bail-out by many billions of dollars.

Critics have begun to cast doubt on the optimistic economic assumptions of declining interest rates and a strong turnround in savings and loan deposits in 1989.

Mr Nicholas Brady, US Treasury Secretary, received a taste of the scepticism when he appeared before the Senate banking committee yesterday, the opening of the Bush administration's efforts to sell the plan to Congress.

He also disclosed that the rescue plan involves closing or merging 150 marginally solvent thrifts, as well as the previously identified 350 insolvent ones.

Mr Brady repeated President Bush's challenge to Congress on February 9 to pass the funding and reform package in 45 days: "Fast action will help to reduce the industry's cost of funds by getting the insolvent institutions resolved, out of the marketplace and out of the business of needlessly bidding up the cost of funds."

The Treasury plan calls for $126bn of spending over the next 10 years, including $40bn from the Treasury, with the balance coming from the sale of bonds and increased insurance premiums from the industry.

However, the Treasury has already altered two important aspects of the plan. The maximum insurance premium for banks and thrifts would be $3.50 per $1,000 in deposits. Previously, the Administration said the maximum would be $7.50. Currently, banks pay 83 cents and S&Ls $2.08.

A further acknowledgement of the difficulties faced by the thrift industry appears on the question of "goodwill," the value an institution has as a going concern. Mr Brady said S&Ls will have 10 years to take "goodwill" off their books.

Mr Charles Bowsher, comptroller-general of the General Accounting Office, told the House ways and means committee yesterday that several thrifts which had been rescued last year were in such financial difficulty that they would have to be recapitalised in the new rescue plan this year.

Broking deal boosts PKbanken

By Sara Webb in Stockholm

PKBANKEN, Sweden's third largest commercial banking group which is controlled by the state, announced a 38 per cent jump in operating profits for 1988, boosted by its acquisition last May of Carnegie, Sweden's largest broker.

The group's operating profit climbed to SKr2.9bn ($460m) from SKr2.1bn in 1987. Taking comparable units, however, PKbanken said operating profits had risen by 19 per cent, which it attributed chiefly to the strong increase in lending to businesses and individuals, and to a slower growth in costs.

The board proposed increasing the dividend from SKr4.63 to SKr5.5 per share.

Group income rose by 13 per cent to SKr7.79bn, while total costs increased by 9.6 per cent to SKr4.89bn. Interest income for the group climbed by 12 per cent to SKr5.71bn, helped by the surge in lending in the Swedish banking operations.

The acquisition of Carnegie, which claims a 15 per cent market share, helped boost income from commission income by 61 per cent from SKr1.48bn to SKr2.08bn.

Carnegie, which was formerly part of Mr Erik Penser's empire, has been kept as a separate brokerage rather than merged with PKbanken's existing brokerage unit.

It said that despite such blows as the stock market crash in 1987 and the widening of the turnover tax in Sweden, its pre-tax profits slipped only 4 per cent from SKr335m to SKr320m last year.

SSAB widens ownership structure

By Sara Webb

SSAB, THE Swedish state-controlled commercial steel group, is to widen its share ownership structure in readiness for a stock exchange listing this spring, the Swedish Industry Department announced yesterday.

The move would allow private investors, including foreign citizens, to buy up to 23 per cent of SSAB's share capital although the state would still retain a majority holding.

SSAB has been drastically restructured in the past two years as part of the Government's plan to introduce it on the bourse.

It reported pre-tax profits of SKr409m on sales of SKr18.5bn in 1987, and the management has forecast profits of about SKr1bn for 1988, although the preliminary results have not been released yet.

One of the conditions for a bourse listing is a wide ownership, as a result existing shareholders have agreed to sell a total of 7.5m shares since.

The state owns 52 per cent of the votes and share capital in SSAB, having reduced its holding from 75 per cent two year ago. In future, it will control 40 per cent of the share capital and 52 per cent of the voting power.

A group of institutions owns a further 26 per cent while LKAB, the state-owned iron ore mining group, owns 22 per cent.

Pennwalt turns down Centaur

PENNWALT, the Philadelphia-based chemical company, has rejected as inadequate a $110m a share, $870m takeover offer from Centaur Partners, a New York investment group, writes Roderick Oram.

Pennwalt said its management and financial advisers would explore alternatives such as a further restructuring and sale of the company.

The company said Centaur's offer had "deficiencies," including significant financial and legal uncertainties. Moreover, its board "continued to recognise that the background of certain of the principals in Centaur Partners is incompatible in the philosophy and best interests of Pennwalt."

Hewlett agrees to acquire 5% of 3Com

By Louise Kehoe in San Francisco

HEWLETT-PACKARD is to acquire up to 5 per cent of 3Com Corporation, a leading computer networking company as part of a broad strategic alliance agreement. The deal will cover joint product development and a worldwide service agreement between the two companies.

The stock purchase, which will be made on the open market, was described by the companies as an "initial" investment.

At current market prices it is valued at about $37m. Additional terms of the equity agreement were not disclosed, but it was described as an indication of the strong commitment of HP to the 3Com partnership.

The companies plan jointly to develop computer software that will enable a broad range of types of computers to work together on office networks. Products covered by the agreement will link computers running Unix and OS/2, two of the most widely used computer operating systems, as well as Hewlett-Packard's proprietary HP-MPE operating system.

Mr Douglas Chance, HP executive vice president for Networked Systems, said: "HP and 3Com share a vision of distributed computing in which users have access to a broad range of systems using networking and applications software based on standards."

The software links that HP and 3Com plan to develop will allow customers to choose from a variety of computers, ranging from personal computers through powerful minicomputers, and have them share information, software applications and computer resources, the companies said.

The HP-3Com alliance follows several other joint development agreements in the computer industry, aimed at overcoming the lack of compatibility between different brands of computers.

HP and 3Com claim their development efforts are already well underway and the first products of the alliance will be introduced in the second half of this year.

Firestone takeover helps Bridestone to 7% rise

By Our Financial Staff

UNCONSOLIDATED pre-tax earnings for Bridgestone, Japan's top tyre maker, rose by 7 per cent last year, to Y70.21bn ($554m), from Y65.67bn in the previous year, on sales of Y621.416bn, up by 12 per cent from Y557.243bn.

Net earnings climbed 23 per cent to Y36.15bn, or Y50.41 a share, from Y29.28bn, or Y44.94 a share.

Bridgestone, which bought Firestone Rubber and Tire of the US during the year for $2.6bn, made extraordinary gains of Y1.37bn in 1988 from sales of securities, while it had no such profit in the previous year. On the other hand, extraordinary losses, stemming from a sale of fixed assets, declined to Y1.53bn from Y4.60bn in 1987, helping to boost earnings.

Tyre sales rose by 10.9 per cent to Y489.11bn, accounting for 79 per cent of business. Officials said demand for new tyres was brisk, reflecting strong sales of cars and commercial vehicles in the midst of robust economic expansion. Sales of replacement tyres were also good.

Sales of such sporting goods as golf balls rose by 13.8 per cent to Y132.303bn, with the support of demand for such products as car seat materials and conveyor belts.

Domestic sales showed an 8.5 per cent increase, totalling Y449.94bn, comprising 72 per cent of overall sales. Exports grew faster, going up 20.0 per cent to Y171.48bn.

Bridgestone also said it will restructure part of its tyre business along geographical lines.

Hong Kong and China Gas reports 32% surge

BY Our Financial Staff

HONG KONG and China Gas, the Hong Kong utility company locally known as Towngas, reported a 32 per cent rise in 1988 net profits, which increased to HK$424m ($54m) compared with HK$321m in 1987, on revenues up by 17 per cent to HK$1.53bn, from HK$1.31bn.

Earnings per share rose to 93 cents in the year to December 31, from 71 cents in 1987.

Towngas's board has recommended a final dividend of 28 cents a share, bringing total payouts for the year to 45 cents, up from 37 cents in 1987.

Gas sales rose by 16 per cent in 1988 to a record 12.25bn megajoules, and Mr Lee Shau Kee, Towngas's chairman, said the company was responding to the strong demand with plans to spend HK$1bn to build four new plants.

Mr Lee also said Hong Kong and China Gas was considering diversifying its operations and would form an investment subsidiary to control projects outside the gas business.

He forecast that 1989 would be another successful year, and said the company expected to pay total dividends this year of not less than 51 cents a share.

Compaq move explained

By Louise Kehoe

COMPAQ Computer's decision to sever its relationship with Businessland, one of the leading computer retail companies, came after more than three years of discussion surrounding Businessland's demands for preferential treatment by the personal computer manufacturer, Compaq claims.

The decision, announced by both companies on Tuesday, relates only to Businessland's US operations, Mr Mike Swavely, Compaq vice president of sales and marketing said.

Compaq and Businessland have still to determine the future of their agreements covering 10 computer stores in the UK, the companies said.

Explaining the break-up, Mr Swavely said Businessland had formed "strategic partnerships" with some other personal computer equipment manufacturers including IBM, but Compaq had refused to enter into such an arrangement because it would give the computer retailer an unfair advantage over other Compaq dealers.

Businessland's partnerships with Compaq's competitors "obviously detracted from its efforts to sell our products," Mr Swavely said.

Denison Mines to sell oil and gas assets

By Robert Gibbens in Montreal

DENISON MINES, one of Canada's most successful uranium producers, is pulling out of oil and gas.

The sale of its oil and gas assets, which are in North America, Europe and Latin America, could raise about C$500m (US$420).

Last year Denison produced nearly 10m barrels of oil and about 5bn cu ft of gas.

Returns, however, have dropped severely with lower oil prices. Last year the company wrote down the value of its properties by C$125m, and showed an overall loss of $94m.

Burns Fry has been retained to find a buyer for the oil and gas assets which will be sold individually or as a package. Denison was built into a large resources by the late Czech-born Mr Stephen Roman on the base of its Northern Ontario uranium mines, and it diversified into oil and gas, cement manufacturing and potash mining in the 1970s.

The group's cement business has been sold and Denison is pulling back on uranium mining, in anticipation of better markets in the 1990s, and on industrial minerals. The future of the company's potash mining operation is uncertain.

Denison said it expected world uranium demand and prices to grow significantly in the 1990s.

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Compensation will include mortgage subsidy, a quality car and relocation costs if required.

Please reply in writing quoting current remuneration and giving a daytime telephone number. Applications will be acknowledged and forwarded to our client unless a covering letter gives contrary instructions. Replies to Torrance Smith quoting Ref. TS 521, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

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Please apply directly to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, evenings 01-485 1356. Alternatively fax your details on 01-836 4942.

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Sir George Vallings KCB
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63 Portland Place
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Informal enquiries should be made to either Professor Channon or the Dean of the Faculty of Business Administration.

Detailed applications (suitable for photocopying) containing the names of three referees should reach the Registrar, The University, Manchester M13 9PL (from whom further particulars may be obtained) before March 17th (Tel. 061-275 2028). Quote ref. 44/89/FT.

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Closing Date for Applications :- 1st March 1989

NEWLY QUALIFIED ACCOUNTANCY APPOINTMENTS

As in the past the Financial Times proposes to publish a list of those candidates who were successful in the recent PII examinations. This list will appear in our issue of Thursday 2nd March under the heading "Newly Qualified Accountancy Appointments". The advertising rate will be £49 per Single Column Centimetre; Special positions are available by arrangement at £59.00 per SCC.

GUIDE TO RECRUITMENT CONSULTANTS

Entries in the guide will be charged at £75.00, which includes your Company name, address and telephone number. Any additional information will be charged at £14.00 per line.

For further information please contact:
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or your usual
Financial Times Representative
on 01-248-8000

Tumbling pound depresses the Eurosterling sector

By Norma Cohen

EUROSTERLING bond prices fell as much as ⅝ to ¾ among longer issues, extending losses scored earlier this week, amid a further weakening in sterling. The pound slid below DM3.21, prompting concern that still higher UK interest rates will be needed to defend it.

Several Eurosterling issues launched within the past week are now well outside their fees, most notably HMC Mortgage Notes number 192, which are now quoted at less four bid against full fees of 1⅞ per cent. Lead manager Credit Suisse First Boston said that given the slide in underlying UK government gilts, the spread on the issue is now 98 basis points over government bonds, up from 75 at launch.

The World Bank's 10 per cent issue due 1999 was quoted at less 3⅝ bid, a spread of 86 basis points over comparable maturity gilts against a launch spread of 24 basis points.

The concern for dealers with inventory still on their books is that hedging, which is done with gilts or with futures, becomes ineffective when Eurosterling issues fall faster than the government bond market.

In the new issues market, Nordic Investment Bank, via Salomon Brothers, launched a DM500m 10-year issue bearing

INTERNATIONAL BONDS

a coupon of 6⅞ per cent and priced at 101⅞. While the pricing was deemed reasonable for the borrower, rated AAA, dealers said the issue suffered from adverse market conditions. In the D-Mark Eurobond market, prices dropped as much as ⅜ points over the day. By the end of the day, the lead manager said the issue had fallen outside its 2¼ per cent fees to show a loss at less 2.90 bid.

But dealers said the issue may also have suffered by comparison to Tuesday's successful 10-year DM300m Eurobond for EIB, which offered a yield about 10 basis points below that of the NIB. While both issues are rated AAA, investors assign a higher value to EIB issues.

Meanwhile, dollar-denominated issues suffered after news of a 0.6 per cent rise in the US consumer price index for January, more than had been expected.

Ford Motor Credit issued a $200m three-year Eurobond via Goldman Sachs with a 10 per cent coupon that attracted an initial flurry of interest at launch. The 101⅞ price gave the AA-rated issue a spread of 49 basis points over comparable maturity Treasuries. But dealers said that the frequency with which the borrower approaches the Euromarkets weighed on the deal in addition to the rising fears of inflation. Although the issue was seen trading at its fees at less 1⅞ per cent, co-managers griped that the *praecipuum*, the portion of the fee which goes to the lead manager, means they are automatically taking a loss of ¼ point on the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Nordic Investment Bank♦	500	6⅞	101⅞	1999	2¼/1½	Salomon Brothers
US DOLLARS						
Ford Motor Credit(g)♦	200	10	101⅞	1992	1⅞/1⅞	Goldman Sachs Int.
DKB Asia(h)♦	125	10.40	101.90	1999	2/1⅛	Shearson Lehman
Nissho Iwai Corp.(i)♦	400	(4½)	100	1993	2¼/1½	Nikko Secs.(Europe)
Nissho Iwai Corp.♦	400	(4½)	100	1993	2¼/1½	Nomura Int.
Eisai Co.♦	300	(4⅝)	100	1993	2¼/1½	Nomura Int.
Atsugi Motor Parts Co.♦	100	(4⅝)	100	1993	2¼/1½	Daiwa Europe
SWISS FRANCS						
Godo Steel Ltd.(a)♦★	70	(½)	100	1993	n/a	SBC
KYC Machine Ind.Co.(b)♦★	50	(½)	100	1994	n/a	SBC
Osaka Diamond Ind.(c)♦★	50	(½)	100	1993	n/a	Credit Suisse
Fuji Tekko Co.(d)♦★	30	(½)	100	1993	n/a	B.della Svizzera Ital.
ECUs						
Kredietbank Int.Fin.(e)♦	60	Zero	68.575	1994	1¼/⅝	Kredietbank Int.
AUSTRALIAN DOLLARS						
Issue increased:						
Kredietbank Int.Fin.(f)♦	80	20	101⅞	1990	1/⅝	CSFB

♦With equity warrants. $Convertible. ♦Final terms. Put options indicated at: a) 30/9/91 at 104½ to yield 2.22%. b) 30/9/91 at 104½ to yield 2.254%. c) 30/9/91 at 104½ to yield 2.24%. d) 30/9/91 at 104½ to yield 2.227%. e) Redemption linked to BFr. f) Issue increased from A$80m. g) Non-callable. h) Call at par March 1992. i) Issue to be launched in Asia.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93	93½	0	0	10.23
B.F.C.E. 7 92	150	91⅞	92⅜	-0⅛	0	10.06
B.F.C.E. 9¼ 95	150	97⅛	97⅝	-0⅛	-0¼	9.78
Brit. Tel. Fin. 9⅛ 98	250	97¼	97⅝	-0⅛	-0⅛	9.77
Canada 9 96	1000	97⅛	97½	-0¼	0	9.55
Canadian Pac 10¼ 93	100	†101¼	102¼	0	0	10.19
C.C.C.E 9¼ 95	300	97¼	97⅝	-0¼	-0¼	9.82
C.N.C.A 9⅞ 93	150	98⅛	98½	-0⅛	-0¼	6.82
Credit Lyonnais 9 91	200	†98⅛	98⅝	-0⅛	+0⅛	9.92
Credit National 8¼ 93	200	94⅛	94⅝	-0⅛	0	9.91
Credit National 7⅞ 92	100	92⅞	93⅛	-0⅛	0	9.99
Credit National 7¼ 91	150	†93½	94	0	+0⅛	9.88
Dai-Ichi Kan 9⅝ 92	150	99⅛	99½	-0¼	+0⅛	9.85
Denmark 7⅞ 92	500	92½	93	0	+0¼	10.01
E.E.C. 7 91	100	93	93½	-0⅛	+0⅛	9.87
E.E.C. 7¼ 93	250	91¼	91¾	-0⅛	0	9.91
E.E.C. 8 90	350	†97¼	97⅝	0	0	9.99
E.I.B. 7⅝ 93	100	91¼	91¾	-0⅛	-0⅛	9.92
E.I.B. 9⅞ 97	150	97⅜	97⅞	-0⅛	-0⅛	9.78
Elec.De France 9 98	200	95¼	95⅝	-0⅛	0	9.79
Finland 7⅞ 97	200	89⅛	89⅝	-0⅛	-0⅛	9.86
Finn.Exp.Cd. 8⅞ 92	200	95⅞	96⅛	-0⅛	+0¼	10.02
Finn. Exp. Cd. 9⅞ 95	200	97½	98	0	0	9.83
Ford Motor Credit 8 91	250	†95¾	96¼	-0⅛	-0¼	10.22
Gen.Elec.Cap.Corp. 9 93	500	†96¼	96¾	-0⅛	-0⅛	9.94
Gen Elec Credit 10¼ 00	200	99⅞	100¼	-0⅛	0	10.25
Gen.Mtrs.Corp. 9⅛ 92	200	97⅜	97¾	-0⅛	0	9.99
Halifax BS 9½ 93	200	†97⅛	97⅝	0	-0⅝	10.25
IBM Credit Corp. 8⅞ 91	250	97¾	98¼	0	+0¼	9.72
Italy 9 90	1000	†98¾	99¼	-0¼	0	9.63
Italy 9½ 95	1000	98⅛	98⅝	-0⅛	-0⅛	9.82
L.T.C.B of Japan 8 91	100	95¼	95¾	0	+0⅛	10.10
L.T.C.B.of Japan 9¼ 92	200	97⅝	98⅛	0	+0⅛	9.93
Metropolis Tokyo 9½ 93	200	99½	100⅛	-0⅛	0	9.57
Morgan Guaranty Tst. 7 90	150	†96⅞	97⅜	-0⅛	0	10.00
Nippon Tel.&Tel. 9⅝ 98	250	97½	98	-0⅛	+0⅛	9.73
Norway 8¾ 93	500	96½	97	+0⅛	+0¼	9.76
Portugal 8¼ 91	300	†95⅞	96⅛	-0⅛	+0⅛	10.40
Prudential Crp. 8⅛ 94	125	95⅝	96	-0⅛	0	9.81
Qantas Airways 10⅛ 95	140	102	102½	0	-0⅛	9.86
Saskatchewan 10¼ 92	100	101⅝	102⅛	-0⅛	0	10.00
State Bk S Aust 9¼ 93	100	97⅜	97⅞	0	0	10.00
Sumitomo Bank 9⅜ 92	150	99⅛	99⅝	-0⅛	0	9.80
Swed Exp Cred 7¼ 91	100	†93½	94	0	+0⅛	9.88
Sweden 7 91	250	93⅝	94	-0⅛	+0⅛	9.84
Sweden 8¾ 96	200	94⅞	95⅜	-0⅛	-0⅝	9.73
Sweden 8½ 92	200	†95⅝	96⅛	-0⅛	-0¼	9.92
Toyota 9½ 91	200	99⅝	100	+0⅛	0	9.63
Victorian Rep 11⅝ 92	150	103⅞	104⅜	0	-0⅛	10.02
World Bank 7 92	300	†93	93½	0	+0⅝	9.75
World Bank 9 97	300	95½	95⅞	-0⅛	-0⅛	9.76
World Bank 9¼ 98	300	96⅝	97⅛	-0⅛	-0⅛	9.75
Yasuda Trust Fin 8½ 93	100	†94½	95	0	0	10.02

Average price change... On day -0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	97⅞	98¼	-0⅛	-0⅛	6.42
[illegible]						
Oesters. Kontbk. 5 93	300	94⅛	94⅝	-0¼	-1¼	6.67
Portugal 5¼ 92	150	96½	97	-0¼	-0⅛	6.83
Portugal 6⅝ 95	150	100¼	100¾	+0⅛	+0⅛	6.52
Privatbanken 5¼ 93	150	94⅛	95	-0¼	-0⅝	6.79
Royal Insurance 5½ 92	300	97¼	97¾	+0⅛	+0⅝	6.35
Soc Cent Nuclear 7¼ 95	150	101	101½	0	-0⅞	6.99
Turkey 6½ 95	500	†96⅜	96⅞	0	-0¼	7.18
Union Bk.Finland 5½ 94	200	†95¾	96¼	-0⅜	-0¼	6.47
Westdb. Finance 5 93	200	*†94⅝	95⅛	0	-0⅞	6.49
World BK. 6¼ 97	600	96⅛	97	-0⅞	-1	6.99

Average price change... On day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†96¾	98	-0⅛	+0⅝	5.43
Asfinag 5 03	100	†94¾	95	0	-1	5.52
B.F.C.E. 4½ 98	200	†93	94	-0¼	+0¼	5.40
B.M.W.Fin.Neth. 5 13	150	†90½	91	-0⅝	-0⅜	5.71
Britannia B/S. 4¼ 94	100	†94¼	94½	0	-1¼	5.50
CIR. Int. W/W 3 93	125	†95½	95¾	+0¼	+0¼	4.10
Credit Lyonnais 4¾ 00	100	†92	93	0	-0⅞	5.67
E.I.B 4⅝ 98	150	†94	94¾	-0⅛	+1	5.40
Fletcher Chall. 4⅞ 98	150	†92½	93½	0	-0½	5.89
Kobe City 4⅝ 98	150	†94½	95	-0⅛	0	5.35
Leeds Perm. B/S. 4⅛ 93	200	†94¾	95	+0¼	-0¼	5.54
Malaysia 5¼ 98	100	†93½	94	+0⅛	-0⅜	6.14
Maxwell Comm.Crp. 5 95	150	†97	97¾	+0⅛	-0⅞	5.50
Nat.Bk. Hungary 5½ 94	75	†95½	96½	0	-0½	6.34
Nationwide Ang.B/S. 4 93	200	†93½	94	-0⅛	-0⅛	5.67
Nippon Teleg.&Tel.4¼ 95	200	†96½	97¼	-0⅛	+0⅛	4.82
Oesters.Ktbk. 5 03	75	†94	95	0	+0½	5.51
Prov. Newfoundland 5 03	150	†98¼	98¾	0	+0½	5.15
Thailand 4⅜ 95	200	†93½	94	+0¼	+0¼	5.82
World Bank 5 03	150	†96	96¼	-0⅛	-2⅛	5.39

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	58	101⅛	101⅞	0	+0⅛	4.86
Belgium 4⅝ 94	45	98¼	98⅝	0	+0¼	5.01
Canada 4⅞ 92	80	98⅛	98⅞	+0⅛	+0¼	4.78
Elec. De France 5⅛ 94	20	100½	101	0	+0⅛	4.95
Ireland 5⅛ 93	30	100¼	100⅝	-0⅛	+0⅛	5.02
Norway 5⅛ 95	50	100⅝	100⅞	0	+0⅛	4.98
Rep. of Italy 5⅜ 92	150	102½	102⅞	0	+0⅛	4.79
Sweden 4⅝ 93	50	98⅜	99	0	+0¼	4.92
World Bank 5½ 92	50	102¼	102½	0	+0⅛	4.75

Average price change... On day +0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	97⅛	97⅝	-0¼	-0¼	11.10
Abbey Nat. 11⅞ 95 £	100	99⅝	100⅛	0	-1⅛	11.65
Alg. Bk. Ned. 5½ 92 FL	150	95½	96	-0¼	-0¼	7.13
Alg. Bk. Ned. 5¾ 93 FL	200	95¼	95¾	-0¼	-0¼	7.06
Aust.Ind.Dev. 12⅞ 93AS	100	†91¾	92¼	+0¼	-1⅛	15.45
Austria 7½ 94 ECU	100	94¼	94¾	-0⅛	-1	8.88
Bk.Nova Scot.14⅜ 90 AS	75	95½	96½	+0½	+0¼	17.06
Barclays Aus.13½ 91 AS	100	94¼	95¼	-0¼	-0⅛	15.85
BP Capital 9⅞ 93 £	100	94⅝	95⅛	-0¼	-1¼	11.35
British Airways 10 98 £	100	94	94½	-0⅜	-1⅜	11.03
Buhrmann-Tet. 6⅜ 93 FL	100	97	97½	0	-0½	7.11
Comm.Bk.Aust. 12⅝ 93AS	100	91½	92	-0⅝	-0⅝	14.23
Coop.Ctr.Rabo.6⅞ 93 FL	100	97⅜	97⅞	-0⅛	-0⅛	6.96
Coop.Ctr.Rabo.6 92 FL	200	97⅜	97⅞	-0⅛	-0⅛	6.80
Dixons 11 95 £	90	†98¼	98¾	0	-0⅞	11.48
Deut.Bk.Aust 12⅞ 95 AS	70	†93¾	94¼	+0⅜	+1⅛	14.28
Deut.Bk.Aus. 13¼ 93 AS	125	92½	93½	-0⅛	+0¼	15.59
Eastman Kodak 13 90 AS	100	†94¾	95¼	-0⅛	0	16.84
E.I.B. 7 96 LFr.	100	†97⅞	98⅜	0	+0⅛	7.35
Elec.France 10¼ 95 C$	125	†97	97½	-0¼	-0⅜	10.85
Euratom 7¾ 97 ECU	145	90⅞	91¼	-1¼	-1⅛	8.97
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†95⅝	96⅛	-0¼	-0⅜	11.28
Fed.Bus.Dev.Bk 10½ 93	50	97⅜	97⅞	-0¼	-0¼	11.18
Ford Cred.Aus.14¼ 92AS	50	†96¼	96¾	-0½	0	16.31
Ford Cr.Can.10¼ 93 C$	100	†98½	99	-0¼	-0⅝	11.15
Ford Mtr.Cred.7½ 91ECU	100	96⅞	97⅜	-0½	-0⅝	8.70
G.M.A.C. 9¾ 93 C$	150	†94½	95	-0¼	-0⅜	11.36
Honda Intl. 7¾ 93 Ecu	100	†95⅞	96⅛	-0¼	-1¼	8.89
Hydro-Quebec 11 99 C$	400	99½	99⅞	-0⅜	-0½	11.06
Inv.Industry Int.10 93 £	60	94⅞	95⅜	-0¼	-1⅛	11.53
Lloyds Bank 10¼ 98 £	150	95	95½	-0¼	-1⅛	11.10
Lloyds Bank 11⅛ 98 £	100	99	99½	-0⅛	-1	11.49
Montreal Tst.10¼ 93 C$	100	†97⅛	97⅞	-0¼	-0⅜	11.43
Morgan Guar.Tst. 11 91 C$	150	98⅝	99	-0⅜	-0⅝	11.82
Ned. Midd. Bank 6 92 FL	150	96½	97	0	-0½	7.20
New Zealand 9½ 93 £	100	93½	93⅞	-0½	-1⅝	11.48
New Zealand 7¾ 93 ECU	200	—	—	—	—	—
Phillips Gloeil. 6 93 FL	300	96⅛	96⅝	-0⅛	+0½	6.96
Prudential Fin.9⅞ 07 £	150	†92½	93	+0¼	+0⅜	10.26
Royal Bk.Scot.10⅝ 98 £	125	†97⅞	98¼	+0⅛	-0½	11.03
Saskatchewan 9⅞ 91 C$	150	†96⅜	96⅞	-0¼	-0⅜	11.49
Saskatchewan 10¼ 93 C$	200	96⅝	97⅛	-0⅜	-0⅜	11.11
S.D.R. 7¾ 95 ECU	90	94¼	94¾	-0½	-1	8.97
Sth.Aus.Gvt.Fin. 0 94 AS	100	†51¼	51¾	-0¼	+0⅝	14.60
Un.Bk.Norway 11¼ 91 C$	75	99⅞	100⅛	-0⅛	-0⅛	11.13
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]					
Woolwich 5 95 £	0⅛	99.49	99.54	21/02	12.37

Average price change... On day 0.00 on week +0.07

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	113	113¾	+0¼	9.83
Amer. Brands 7¼ 02 US	9/87	56.7	116¼	117⅛	-0⅛	4.15
Ashikaga Bank 2¼ 02 US	4/87	967	150⅝	151⅛	+2⅜	8.74
Asics 5 92 DM	12/83	472.7	239½	241	+0⅛	9.22
CBS. Inc. 5 02 US	4/87	200	93¼	94¼	-0¼	11.85
Comm. Credit 5½ 02 US	4/87	66.75	66⅛	67	-0⅛	86.90
Eng.China Clay 6½ 03 £	9/88	4.8	109⅛	110⅛	+0⅛	0.80
Fujitsu 3 99 US	5/84	1106	237⅞	238⅞	+6½	1.69
Land Secs. 6¼ 02 £	6/87	6.72	97⅞	98⅛	+0⅛	14.59
MCA Inc 5½ 02 US	†9/87	69.62	85⅛	86⅛	-0⅛	24.77
Minolta Camera 2¼ 94 DM	2/86	1004	105⅞	106⅞	+0½	15.35
Mitsubishi Bk.1¾ 02 US	9/87	3157	137	138⅝	+2⅛	5.21
Mitsui Trust 2⅛ 01 US	10/86	1903	154	155	+7	8.43
Nishi Nipp.Bk.2⅞ 03 US	4/88	804	130⅜	131⅝	-0⅛	10.97
Omron Tateisi 2⅞ 02 US	4/87	1310	213¾	214⅝	+10⅜	2.95
Ranks Hovis 4¾ 03 £	1/88	3.5	113¼	114¼	-0⅛	4.22
Redland 7¼ 02 £	1/87	5.4	101⅛	102⅛	-0⅛	6.18
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	103⅜	104⅛	-0⅛	12.96
Sumitomo Bank 3¼ 04 US	2/89	4296	94	95	+1⅛	5.86
Texas Inst. 2¼ 02 US	9/87	82.87	75	76	0	48.10
W.R. Grace 6¼ 02 US	9/87	42.12	84⅛	85⅛	+0⅛	29.41

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; $above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CBOT's watchdog system under fire

By Deborah Hargreaves in Chicago

AS THE massive FBI fraud probe continues in Chicago's markets, the Chicago Board of Trade has been forced to defend its surveillance procedures against criticism by the industry's regulator on its inadequacy in spotting trading abuse.

The Commodity Futures Trading Commission, which reviewed the CBOT from mid-1987 to mid-1988, reports that the exchange's computer monitoring systems are deficient in tracking potential trading abuse.

The agency has further demanded a *monthly* report from the CBOT on its routine investigations of trading violations, which the CFTC says are taking too long to complete.

The CFTC's report is a blow for the exchange as it struggles to defend its integrity in the midst of the far-reaching FBI probe in Chicago. Congressional committees have already called into question the Chicago exchanges' self-policing systems.

For its part, the CBOT says it has already addressed many of the issues raised by the CFTC report. The exchange recently announced it was earmarking $1m to upgrade its computerised trade reconstruction system (CTR) to extend the trade tracking system to all exchange contracts.

CTR combines trade data with time and sales information to calculate the time each trade was made. It is a system the CBOT has been very proud of, although the CFTC called it inadequate. The CFTC also questioned some of the trading information processed by the exchange, which had incomplete trading times recorded on members' report cards.

The CFTC faces re-authorisation by Congress later this year, where its abilities as a regulator will be discussed. House Rep. Glenn English, who is heading an investigation by the House Agriculture Committee into the CFTC's effectiveness, called on the agency to put a moratorium on all new contracts.

Since last September, the CFTC has approved 12 new futures and options contracts, but Mr English said in a letter to the agency that he believes it should take a "more cautious" attitude. The Chicago Mercantile Exchange said any delay in authorising new products will affect the ability of the US to compete on world markets.

Broker offers Toyota Motor bonds at 109

By Norma Cohen

TOYOTA MOTOR Corporation's Ecu100m 8 per cent bonds due 1994 have been *offered for sale* through a Eurobond broker at a price of 109 against an issue price of 101⅝, market sources said.

The bonds, which were launched on January 30, have not been available for sale in the market at any price virtually since launch date. At the time, lead manager Credit Suisse First Boston capitalised on short-selling by other Eurobond dealers and purchased about 120 per cent of the issue.

Dealers had speculated that CSFB would try to charge higher prices for the bonds to those dealers who had been co-managers in the offering, *but who had sold* more bonds than they owned in hopes of buying them back more cheaply later *on*.

Swiss to amend money supply calculations

THE SWISS National Bank will in future publish seasonally adjusted central bank money supply figures, replacing its practice of reporting figures adjusted for end-month distortions, Reuter reports.

In an advance summary of its February monthly report, it said the new system had become necessary because of the introduction of new bank liquidity requirements last year *and of a new* interbank clearing system.

Goldman Sachs to open unit in Singapore

GOLDMAN, SACHS plans to open in April a wholly-owned subsidiary in Singapore with a broker dealer licence to deal in international securities. By June it plans also to trade physical oil and oil futures, Reuter reports.

The US securities house said one reason was the move was the new Simex oil futures market, which facilitates physical trading.

INTERNATIONAL CAPITAL MARKETS

Jump in inflation index lowers US Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds slumped yesterday after the release of figures showing a 0.6 per cent jump in consumer prices in January, somewhat above market expectations and described by Mr Alan Greenspan, chairman of the US Federal Reserve, as "disturbing."

At midsession, bond prices were quoted as much as ¾ point lower. The Treasury's benchmark long bond stood ⅞ point down at midsession for a yield of 9.11 per cent.

The 0.6 per cent rise compared with expectations of a 0.5 per cent increase and a gain of 0.3 per cent in December. A substantial gain in consumer prices had been expected given the worrying 1 per cent rise in producer prices last month.

Mr Greenspan, on the second day of his semi-annual Humphrey-Hawkins testimony, said that he was beginning to see a "stronger inflationary tone." Nevertheless, he had no comment on a question from a member of the Senate Banking Committee about whether he would therefore raise the US discount rate.

The CPI news caused a modest sell-off in the dollar although the US currency had bounced from its lows by midsession. The equity market, which was anyway vulnerable after a sharp rally recently, was badly hit. The Dow Jones Industrial Average was quoted 31.07 points lower at 2,295.36 at midsession.

Selling in the bond market was very modest considering the CPI number and Mr Greenspan's clear warnings about the risks of higher inflation. The Fed chairman said that control over inflation was necessary partly to limit the scope of the next recession which he said would eventually emerge because of imbalances building in the economy.

THE TIMING of sterling's drop remains something of a mystery, as does the absence of

GOVERNMENT BONDS

Bank of England foreign exchange intervention in the market yesterday. That the currency is no longer flavour of the month, however, is clear, as it again fell more than a pfennig. At one point sterling dipped below DM3.21.

This knocked gilt-edged securities down around ⅞ at the long end. The Treasury 2003-2007 closed at 116 ⅞, ⅞ of a point lower than Tuesday's close.

Dealers reckoned gilt prices would have fallen a good deal further had the Bank not been a substantial buyer, taking the weakness as an opportunity to bolster its buying in programme.

Sterling's weakness, occasioned by the suspicion that base rates had peaked, at least prior to the current bout of currency selling, releases renewed inflationary worries in the gilts market. At the same time there is the possibility that short term rates might have to rise again if there were anything approaching a sterling crisis.

CONTINENTAL European bond markets are beginning to take a dim view of the Federal Reserve's resolve to tackle inflation, and the slightly higher than expected US consumer price index figure in January did not help matters.

Yield curves in most countries have been inverting as tight monetary policy pushes up short-term interest rates, but long-term yield increases are tempered by the thought that such monetary squeezes will slow down credit demand allowing the long end of the curve to rally from that point. If the US tight policy resolve is questioned, then long yields elsewhere start looking more sickly.

This is particularly clear in the French market. Whereas the spread over the German market had narrowed to 180 basis points a few weeks ago, the spread is now widening again, and is currently 225 basis points in the 10 year range.

Technically, the market lacks support levels, dealers complain. There appears to be no level at which domestic buyers can be found in any size. Today the 10-year bond future on the Matif dropped 36 basis points by the official close, to 103.68, and was trading lower at 103.44 in the unofficial market, following US Treasury prices down.

In the cash market, the 8¾ tap stock of 1999 now yields 9.19 per cent, compared with 8.59 per cent at the January auction.

RETAIL BUYERS are as absent in Germany as in France. Here the market was depressed both by the higher rates at the Bundesbank repurchase agreement allocation and by the Nordic Investment Bank's DM500m Euro issue which occasioned some switching out of domestic government paper.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-08	-13/32	10.67	10.42	10.34
		9.750	1/98	98-19	-21/32	9.99	9.78	9.86
		9.000	10/08	99-18	-22/32	9.05	8.92	9.05
US TREASURY *		8.875	11/98	97-10	-13/32	9.30	9.22	9.00
		9.000	11/18	98-24	-17/32	9.12	9.09	8.87
JAPAN	No 111	4.600	6/98	98.3315	-	4.86	4.93	4.84
	No 2	5.700	3/07	108.6064	-0.001	4.81	4.80	4.79
GERMANY		6.375	11/98	95.8500	-0.600	7.00	6.87	6.69
FRANCE	BTAN	8.000	1/94	94.5236	-0.162	9.44	9.19	8.56
	OAT	8.125	5/99	93.1750	-0.325	9.17	8.98	8.47
CANADA *		10.250	12/98	99.1250	-0.250	10.39	10.24	10.02
NETHERLANDS		6.7500	10/98	97.4750	-0.550	7.16	7.11	6.77
AUSTRALIA		12.000	7/99	90.0175	+0.402	13.82	13.89	12.97

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Liffe accelerates the tempo in technology race

IN THE technology wars being waged by futures and options exchanges around the world, the London International Financial Futures Exchange (Liffe) has fired a further shot with its announcement of a deal with quote vendor Telerate. They plan to combine forces in fielding client orders and bringing them to the exchange floor, writes Katharine Campbell.

In a sense, the race to devise the best automated system is barely off the starting blocks, and any monopoly of global networks is still to play for. The biggest challenger to date is Globex, the Chicago Mercantile Exchange's joint venture with Reuters to be launched during the third quarter of this year.

The New York Mercantile Exchange and the Sydney Futures Exchange have so far been co-opted to list some of their products on the CME's after hours trading system, and Matif, the French exchange, is said to be far advanced with its talks.

Liffe is also talking with the CME because its own system is not intended to extend beyond the European day. According to chief executive Mr Michael Jenkins " Globex may be better equipped for staying open for the whole of the rest of the day."

With regard to its own plan, Liffe is looking both to improve the support systems for the existing pit, and to provide an automated trading operation for slightly extended hours and for less liquid contracts. The philosophy Liffe is adopting differs markedly from the Globex concept.

To begin with, the proposed method of ferrying orders to the exchange floor is different. While the CME has signed an exclusive agreement with the Reuters network for exchange members, as a basis for developing its own global network by inviting other exchanges to join, the Liffe scheme is at once less ambitious and less exclusive.

It aims to allow both members and members' clients to plug in orders directly to a variety of quote vendors – Telerate being the first – which are then routed automatically to members' offices or directly to the exchange floor. When the orders have been executed, details of confirmed trades will be returned over the same network.

Liffe is engaged in active discussions with other quote vendors, including Reuters. The Telerate link-up should be ready by the end of the year.

While the order routing improvements are consistent with upgrading the existing open outcry facilities, Liffe has also been developing its own automated trading system APT (advanced pit trading) over the past 18 months. According to yesterday's members' circular, APT will be ready for testing at the end of March. Mr Roger Barton at Liffe adds that it will be "live" before the end of the year. Initially at least, it will be employed for limited after-hours trading for existing busy contracts, possibly an extension to 6.00pm from 4.20pm when the exchange now closes for the long UK government bond future.

The strength of the design is that it specifically sets out to emulate the pit environment, in contrast to the so-called order matching method that Globex and most other systems employ.

The Chicago Board of Trade, which until recently was intransigent in its opposition to any alternatives to the time-honoured open outcry trading methods, now claims it has been developing an automated order routing and trading mechanism for some time. Liffe officials say they are encouraged that the CBT's approach is broadly similar to their own. The two exchanges may co-operate in harmonising their order routing systems.

West German futures face tough debut

Haig Simonian on competitive pressures building up for the Deutsche Terminboerse

The financial instrument that bankers know best in the Bethmannstrasse in Frankfurt is loose change for the multistorey car park nearby. Hardly the place, perhaps, for the Deutsche Terminboerse (DTB), West Germany's planned new financial futures and options exchange, to be making its temporary home.

But there could soon be a whiff of optimism in the air. When it opens next year, the DTB will spearhead Germany's belated push into the competitive world of futures and options trading. The computer hardware has already been ordered or installed and a survey last autumn showed 107 "serious expressions of interest" from potential members – many of them foreign banks or brokers.

But while no one doubts the DTB's future, a spate of recent news has raised the competitive stakes – especially as far as interest rate products are concerned. The circumstances are partly competitive and partly technical, but together they put an extra burden on the DTB to succeed.

The London International Financial Futures Exchange (Liffe) plans to introduce two new D-Mark contracts in mid-April to complement the futures contract on German government bonds, Bunds, which Liffe introduced last September. A Bund future will be one of the DTB's key products along with options on 14 leading German equities and an equity index futures contract when it opens.

Despite some scepticism at the outset, particularly in Frankfurt, Liffe's Bund venture has gone remarkably well with average daily volume, boosted by the December delivery, running at around 10,000 to 12,000 contracts a day.

The success of the Bund has prompted Liffe to round out a family of D-Mark products. On April 20 trading will start in an option on its Bund future and on a three-month EuroD-Mark interest rate future. Both are said to have been the subject of considerable interest by international users.

Together, the two will increase Liffe's competitiveness in D-Mark products and undoubtedly make it more difficult for the DTB to win back business, despite the fact that the bulk of the underlying cash market for Bunds is in Germany. Nor has the DTB itself has announced any plans for an option on its Bund future or a contract for the short end of the yield curve.

Yet there could be a further surprise in store for the DTB from Paris. The Matif, the French futures exchange, which has had great success with its government bond contracts, is now considering plans for a foreign currency interest rate contract. The Matif will not specify what currency the new contract may be denominated in; some observers suspect it will be D-Marks.

Thus, months before it opens, the DTB could be facing competition from two established exchanges in similar time zones in D-Mark interest rate products.

The DTB also has problems on the home front. Last month the German cabinet passed the country's new stock exchange law, which will lay the essential legal foundations for the new market. Approval of the draft bill in the Bundestag, the government-controlled lower house, should pose no problems. But the situation in the Bundesrat – the upper house – where states' interests are represented, could be more difficult. A number of states have indicated their intention to use the new stock exchange law to introduce bourse legislation of particular local interest.

How matters go on the political side will probably become clearer on March 10, when an important Bundestag-Bundesrat committee meets to discusss the issue. If some states have their way, the legislative process could be delayed.

Important technical issues have also been raised recently. The big question is clearing – and especially margining – the DTB's planned futures contracts. Arguably, the question of developing an acceptable and competitive system for margining and clearing futures on the DTB is more important for the long-term success of the exchange than any short-term political wrangles.

The issues are complex, and exceptionally sensitive. At its simplest, the issue revolves around whether the software designed for the DTB – which is modelled on the Swiss Options and Financial Futures Exchange (Soffex) – is ideal for clearing and margining futures contracts.

According to at least some bankers behind the project, the Soffex system, could be improved in order to introduce a better risk-related margining system to make the DTB more competitive.

The question of competitiveness is paramount in view of the current challanges facing the market, it is argued, and the fact that a growing number of European financial futures and options exchanges may be moving towards broadly similar standards.

Thus a handful of foreign clearing companies, notably the London-based International Commodities Clearing House (ICCH), which is involved in trading, margining or clearing on a large number of European exchanges, have been talking to the DTB about adapting their systems for its use.

There have already been contacts between the ICCH and the DTB's "user approval group," with a view to showing how an alternative system might suit the exchange.

The issue is a minefield, both in view of the close relations between German and Swiss banks – which are behind Soffex – and suggestions that any radical changes could delay the planned opening of the DTB, which its backers want to avoid at all costs.

The questions are highly complex, with a relatively small number of bankers having the specialised background required. But with a heavy time constraint on the DTB, it looks as though the school of thought in favour of retaining the present system rather than bringing in an outside company like ICCH has won the day, although there are still suggestions that outside groups could come in after the exchange's debut.

The ultimate aim – to create a German exchange with the highest regulatory standards which will trade interesting products in a way which is appealing to international institutions – unites all the schools of thought. With the international competition mounting, the question is how quickly the DTB can do it.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Feb 21 Index No.	Mon Feb 20 Index No.	Fri Feb 17 Index No.	Year ago (approx) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Wed Feb 22	Day's change %	Tue Feb 21	xd adj. today	xd adj. 1989 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 22	Tue Feb 21	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	99	10
Corporations, Dominion and Foreign Bonds	3	19	22
Industrials	305	502	778
Financial and Properties	137	216	316
Oils	22	30	48
Plantations	6	0	6
Mines	73	13	99
Others	107	44	98
Totals	653	923	1,377

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	355	CLF Yeoman	408		R0.24½	4.6	2.5	13.3
§45	F.P.	-	58	45	#Cassidy Brothers 10p	56		b3.08	2.0	7.3	8.9
245	F.P.	25/1	336	243	Compass Group 5p	335		R7.2	2.7	2.9	17.3
§100	F.P.	-	120	108	Europa Minerals 2p	118		b1.0	-	1.1	-
§125	F.P.	-	140	131	#Farepak 20p	140	+2	R4.75	2.8	4.5	10.8
†	F.P.	-	80	70	*Hoskins Brewery 50p	80			-	-	-
§47	F.P.	-	49	46	#Malaya Group 10p	47		b2.0	3.7	5.7	6.4
†	F.P.	-	266	230	NFC Var. Vtg. 5p	256		u7.0	1.8	3.8	18.7
§140	F.P.	10/3	151	143	#Sheriff Holdings 5p	151		L5.25	2.4	4.6	12.1
‡	F.P.	-	£19⅞	£16⅞	Sumitomo Bank Y50	£17¼	+⅛	Q15%	7.5	0.19	68.5
62	F.P.	-	76	70	#Torex Hire 10p	73		s2.25	1.9	4.1	13.6
§185	F.P.	-	203	195	Wood (Graham)	201		R7.7	2.6	5.1	7.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Jan 23
- Last Dealings Feb 3
- Last Declarations May 4
- For settlement May 15

For rate indications see end of London Share Service

Calls in Norton Grp, Control Sec, Daros Est, Jebsens Dr, Ryan Hotels, Platignum, Jaguar, Ex Co Louis, Regentcrest, Utd Guarantee, Gateway, New Eng Prop. Puts in Amstrad, Helical Bar, Ambrit Int. P/C Black Leisure, Mowat Grp.

LONDON TRADED OPTIONS

EXPIRY DAY in individual stocks with contracts closeable in February were a dominating feature in the London Traded Options Market yesterday. British Gas, was, even so, a more striking feature. Gas attracted a total of 5,799 contracts, each worth 1,000 shares. The share lost 2p on the underlying market, to 174p, but found trading in the options of 2,351 calls and 3,448 puts, in a total of 5,799 contracts.

The trading in options in Gas was exceptional for the fact that it has a March, rather than a February expiry. A crossed deal was seen from one broker, attempting to buy 1,000 contracts in the calls and selling 1,000 in the puts.

Most business in it was seen in an opening of position in September 180 puts, which alone attracted 2,100 contracts, of which 2,000 contracts represented an opening of interest. There was also, however, opening on the call side, in which there was trading of 2,001 contracts, concentrated the most heavily in the June 180s, turnover in which amounted to 928 contracts, to raise open interest on the early count from 5,934 contracts to 6,751. There was, at the same time heavy dealing in the June 160 puts, amounting to 980 contracts, and heavy cutting of open interest.

The February expiry stocks to attract attention had among them Cadbury Schweppes, which found 5,754 contracts, made up of 4,564 calls and 1,190 puts, as the underlying share price lost a little ground – as did many stocks, and as the FT-SE 100 index fell 27.3 points on the day to 2,033.7. The recent fall in sterling, and uncertainty over the trend of monetary policy in the US left financial analysts to make subjective judgements on the likely course of world interest rates.

Plessey found 3,331 call contracts traded, and only 15 puts, though the underlying price showed no more than a 1p rise to 258p.

There was business of 2,786 contracts in Racal, mostly call, and 2,313 in Trusthouse Forte, almost entirely call.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*481)	460	35	50	64	6	15	19
	500	12	28	41	26	35	41
Brit. Airways (*191)	160	36	40	46	2	4½	5
	180	20	24	30	4½	10	12
	200	6	13	19	13	18	22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*294)	294	20	-	-	19	-	-
	300	-	32	42	-	30	35
	330	7	21	29	44	48	52
Woolworth (*270)	260	22	29	39	7	12	16
	280	10	20	27	17	21	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*452)	420	38	42	53	4	8	14
	460	8	18	28	27	30	35
	500	2	7	13	65	65	65
Blue Circle (*525)	460	72	80	92	2	10	13
	500	38	48	64	9	18	24
	550	10	22	36	30	42	46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finding balance in the chemicals equation

Peter Marsh on the importance of the two main sectors of ICI, which reports today

"WE COULD do with a good recession." So said a top executive at Imperial Chemical Industries, Britain's biggest chemicals company, recently, and not entirely with his tongue in his cheek.

Behind this apparently inexplicable comment lies a peculiar set of circumstances which in recent years has caused headaches at the world's fourth largest chemicals group, which today unveils its financial results for 1988.

In many ways, the difficulties are more to do with image than with substance.

Certainly few people inside or outside ICI are likely to be wildly displeased with the 1988 profits, which are expected to involve a rise of about 12 per cent over 1987. Taxable profits are likely to be some £1.5bn on sales of roughly £11.6bn.

At the heart of the discussion about ICI is the skew between its activities in what are generally labelled speciality and commodity chemicals.

Speciality products include relatively high-value, research-intensive materials such as crop-protection compounds, paints and coatings, pharmaceuticals and engineering plastics. They are thought to be generally immune from the ups and downs in global economic cycles and thus have relatively good growth prospects.

In the commodities category are more traditional bulk products including high-volume plastics, fibres, general industrial chemicals and fertilisers.

These materials tend to be affected by fluctuations in demand according to general economic factors. Prices swing about accordingly and this can lead to sharp peaks and troughs in profits, making planning difficult.

In recent years, many financial analysts have used this factor to warn investors away from buying shares in commodity chemicals companies. Speciality businesses have, however, been all the rage.

ICI itself is not immune to the general arguments about the qualities of the speciality chemicals sector and has turned its business heavily in this direction in recent years.

It has spent £2.8bn in the past four years buying 120 companies, mainly in the speciality sector. Thanks to these purchases, which have included Glidden and Stauffer, two big US manufacturers of paints and agrochemicals, high-value speciality chemicals account for about 60 per cent of ICI's sales.

The moves in this direction seemed overwhelmingly obvious early in the decade when the world's commodity chemicals market was in terrible shape, thanks to over-capacity and insufficient demand.

Over the past two years, however, commodities have returned to profitability in most industrialised nations. Selling conditions have improved immeasurably, thanks to a buoyant world economy and the capacity cuts forced on many chemicals producers in the early 1980s.

ICI's own bulk chemicals operations have benefited from this trend. Prices of many of the bulk chemicals sold by ICI have rocketed. These materials are now thought to be accounting for roughly 49 per cent of ICI's operating profit, compared to 45 per cent in the mid-1980s.

The share of profits provided by specialities – despite all the cash ICI has spent in this direction – has accordingly fallen. ICI is not complaining too strongly about this turn of events.

In some ways it is only too glad its commodity operations have had a new lease of life. But the peculiar circumstances of the past few years have dealt a blow to the company's efforts to present itself to the financial community as a speciality-oriented chemicals company.

All this would not matter very much were not ICI's share price highly dependent on the image that stockmarket analysts have of the company. With the idea abroad that ICI is still very much locked into commodity chemicals, ICI's shares have traded weakly for much of the past 18 months, although they have in recent weeks benefited from the general surge in stockmarkets around the world.

This comes back to the view – shared by some in ICI as well as many observers outside – that the company might indeed have something to gain from a recession. Although, according to this view, ICI's bulk chemicals sales might well suffer, the company's speciality-oriented activities would shine through more strongly and present a better image of the group – at least in stockmarket terms.

Mr Jeremy Chantry, an analyst at Kleinwort Benson, the London stockbroker, puts it this way: "ICI is saying it has changed from being a commodity supplier and as a result it is far more resilient [to swings in the economy]. But the market is still waiting to see this in the company's financial results."

Some industry observers, however, rail against taking what they see as a too simplistic view of the chemicals world. They dislike the general assumptions behind the view that all specialities are good and anything to do with commodities is bad.

Ms Jinty Price, an analyst at Barclays de Zoete Wedd, points out that the links between the two sectors can be quite direct in that the cash coming out of ICI's commodity operations in recent years has helped to pay some of the bills for the speciality-oriented acquisitions.

Other people in the chemicals business say the speciality/commodities arguments can easily founder because of problems of definition. According to this view, some substances normally called commodities – polyurethane plastics is a good example – are rapidly becoming a speciality by dint of the degree of customisation which has to be done on a specific product to tailor it to a customer's needs.

Looked at in this light, other bulk materials, even high-volume, low-value products such as alkali chemicals, may have entirely good growth prospects – just so long as the companies making these products keep up to scratch factors like management and technology.

Mr Bob Muller, a chemicals expert at SRI International, a California-based consultancy, takes a long-term view of ICI's overall growth prospects. He says that, particularly in the US, where the company has about a quarter of its business, it is poised to do well in several areas of speciality chemicals including paints and agrochemicals.

"In the past two years, the commodity chemicals industry has benefited from the unusual demand factors and has basically been lucky," Mr Muller says. "In the 1990s the speciality side of the business is going to be the more important. I think ICI's strategy is basically sound."

COMMODITY AND SPECIALITY OPERATIONS (by per cent of operating profit)

	Commodities*	Specialities†	ICI operating profit (£bn)
1985	45	55	0.88
1986	45	55	0.98
1987	49	51	1.22
1988 (est)	49	51	1.42

* Includes general chemicals, petrochemicals and plastics, fibres, explosives, fertilisers. † Includes paints, pharmaceuticals, agrochemicals, other speciality products. Source: Kleinwort Benson

BENEFIT TO BULK CHEMICALS OPERATIONS FROM COMMODITY PRICE RISES

Product	Est sales 1988 (£m)	Price Dec 88	Price Dec 87
Ethylene*	360	748	473
Ethylene glycol*	70	1,176	550
Benzene*	130	564	262
Caustic soda*	270	450	380
Chlorine*	200	201	223
Ammonia*	400	141	125
Titanium dioxide§	320	4.4	4.0
Polyvinyl chloride§	360	1.8	1.6
Polypropylene§	190	1.9	2.0

* Price in $/tonne § Price in DM/kg. Source: Robert Fleming Securities

First Technology claims 33.4% of Ricardo shares

By Nikki Tait

FIRST TECHNOLOGY, the manufacturer and designer of safety equipment for the automotive, security and fire detection markets which is currently waging a £21m bid for Sussex-based Ricardo, claimed control of 33.4 per cent of its target at yesterday's first closing date.

The all-share offer is being extended to March 8.

When it launched its bid, First Technology already held 14.9 per cent of Ricardo, the engines and transmissions designer. It also had irrevocable undertakings to accept the offer from shareholders speaking for another 13 per cent.

Of these shareholders, CH Industrials, its subsidiary Oceanic Commercial Holdings, an Oceanic associate Steadfast, and the quoted UEI group, have now sent valid acceptances. These cover 11.1 per cent of Ricardo's shares.

The other principal acceptance has come from Popeshead Nominees, speaking for just under 5 per cent of the shares, and representing an interest beneficially owned by Schroder Exempt Fund.

Valid acceptances at yesterday's closing date totalled 18.4 per cent of Ricardo's shares. First Technology also has an irrevocable undertaking to accept in respect of a further 1.9 per cent of the equity from Zurich-based Privatbank.

First Technology said the position was "very satisfactory" at this stage of the bid.

PWS results

PWS Holdings, the troubled Lloyd's insurance broker, will announce tomorrow its results for the year to September 30. Last week PWS said the results, due to be announced on Monday, would be postponed indefinitely.

Williams Hldgs in £8.35m sale

By Nikki Tait

Williams Holdings, the acquisitive industrial conglomerate, is selling BC Sanitan, a Reading-based wholesaler of bathroom products, to a management buy-out team for £8.35m.

The company was acquired as part of Smallbone Group, the upmarket manufacturer of customised kitchen, bedroom and bathroom furniture which Williams took over in an agreed £34.5m bid in October last year. Last year Sanitan had pre-tax profits of £736,000 on sales of £3.6m.

The buy-out team is led by Mr Chris Wilson, the former Smallbone finance director. He will become non-executive chairman of Sanitan. Funding is via £3.5m of equity finance – coming from the management team and Granville, the investment business. The balance is supplied by secured bank borrowings, provided by Lloyds Bank, and Sanitan's own cash resources.

Appletree fails in quest to find satisfactory buyer

By Nikki Tait

APPLETREE HOLDINGS, the fresh produce supplier that is 24 per cent-owned by British & Commonwealth Holdings, has failed to find a buyer willing to make an offer for the entire company at an acceptable price.

It also says it is no longer seeking separate buyers for either of its two operating divisions – fresh produce and Kildare, the Irish beef producer. Instead, it says that it intends to "continue to support and develop them."

Appletree effectively put itself up for sale just before Christmas, when it said that shareholders speaking for 70 per cent of its shares had informed the board that they would consider offers for the group.

Appletree added yesterday that it planned to send the annual report to shareholders shortly and that in this, the current chairman would warn that Kildare is currently experiencing "difficult trading conditions."

In the half year to April 2, Kildare is expected to show a breakeven position compared with pre-tax profits of £670,000 last time. It adds that fresh produce is trading satisfactorily, and that Appletree is benefiting from interest earned on its £13m of cash deposits – which are largely derived from the sale of Hunters Foods in late-1988.

Appletree shares were unchanged at 144p yesterday.

Ewart

Ewart, the Belfast-based property developer, has asked us to point out that its net assets per share at October 31 1988 were 117p. The company's interim statement issued on Tuesday incorrectly stated the figure.

Siemens/GEC 275p bid derided by Plessey

By Hugo Dixon

PLESSEY, the besieged UK electronics group, yesterday described as "laughable" suggestions that it would agree to sell itself to GEC of the UK and Siemens of West Germany for 275p a share.

Plessey's statement followed reports in the press that it was in discussions with the Anglo-German consortium to work out an amicable settlement to their bitter fight. The GEC and Siemens hostile bid for Plessey is now being investigated by the Monopolies and Mergers Commission.

"Plessey will not allow itself to be bought on the cheap by two overweight conglomerates who want to carve it up for their own benefit," Mr Stephen Walls, the company's managing director, said in the statement.

However, Plessey did admit that a meeting took place last week between Mr Walls and Mr Malcolm Bates, GEC's deputy managing director. This, it said, was to discuss the running of GPT, the joint GEC/Plessey telecommunications venture which at present is the subject of a legal dispute between its two parents.

Plessey said that "no major crisis" had caused the meeting to be held, and that it was conducted amicably and in a businesslike manner. GEC's Plessey bid had not been on the agenda, and there had been no other meetings or discussions between the two companies, Plessey said.

Plessey's shares closed last night up 1p at 258p.

● Guardian Royal Exchange has reduced its stake in Plessey from 6.57 per cent to 5.48 per cent through the disposal of some 5.18m shares.

Mr Geoffrey Mulcahy (above), chief executive of Woolworth Holdings, revealed yesterday the group's new corporate name – Kingfisher. The move is designed to end confusion between the Woolworth corporate name and the Woolworths chain of variety stores which it owns, and between Woolworth in the UK and its counterparts in the US, Australia, South Africa and elsewhere. It also reflects the changes in the Woolworth group since the new management team moved in in 1982.

Woolworth now encompasses Comet, the electrical retailer, B & Q, the UK's largest do-it-yourself chain, and Superdrug, the leading drugstore chain, as well as a number of smaller experimental retail brands and the Chartwell Land property development business. Mr Mulcahy said the new name would "foster a stronger sense of corporate purpose and this will help to accelerate the group's progress in achieving sustainable competitive advantages in all its markets."

DIVIDENDS ANNOUNCED

BTS Group §	int	nil	-	1.3	-	4.25
Creston	int	0.71	Apr 3	-	-	1.5
English Scot Inv	fin	1.85	Apr 5	1.15	2.5	1.7
FII Group	int	3.5	May 6	3.25	-	9
Isotron	int	0.67	May 4	0.72	-	2.88
Kleinwort O'seas	fin	1.7	-	1.6	2.7	2.6
St David's Inv	int	4	-	3.5	-	10
Taveners	fin	1.25	-	1.25	1.25	1.25
Usher (Frank) §	int	2	Mar 29	2	-	8★

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ★For 16 months.

BP America declines 56% in fourth quarter

BP AMERICA, the US subsidiary of British Petroleum, said its operating profit from continuing businesses fell by 56 per cent in the fourth quarter as earnings plunged in its exploration and production business, AP-DJ reports from Cleveland, Ohio.

For all of 1988, BP America reported operating profits from continuing operations of $1.67bn (£955m), down 20 per cent from the $2.1bn from continuing operations achieved in 1987.

Including the minerals business BP has agreed to sell to RTZ Group, in 1988 BP America had operating earnings of $2.13bn (£1.22bn).

In the fourth quarter, operating profit from continuing businesses fell to $232m ($528m), as earnings from exploration and production declined to $58m ($496m).

BP America earned $152m ($85m) from its discontinued minerals operations in the fourth quarter, increasing total operating earnings to $384m ($613m).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
4th qtr.	108.0	108.4	29.1	133.3	218.8	2,658	282.1
1988							
1st qtr.	107.7	110.8	30.8	135.3	173.3	2,486	249.9
2nd qtr.	109.4	112.6	31.2	137.0	181.2	2,364	255.2
3rd qtr.	111.9	116.5	31.6	139.2	188.9	2,228	244.3
4th qtr.	110.8	117.0		140.8	228.9	2,101	244.9
March	108.4	111.4	31.7	133.4	175.1	2,454	249.4
April	108.9	111.8	31.0	136.3	180.4	2,403	255.9
May	109.5	112.9	31.3	137.7	180.4	2,354	254.5
June	110.8	113.1	31.2	137.8	182.3	2,324	255.1
July	110.8	116.0	31.7	140.9	191.4	2,267	248.7
August	110.9	116.4	31.7	139.5	187.6	2,225	242.7
September	111.5	117.1	31.6	138.4	185.6	2,192	240.3
October	111.9	117.1	32.9	141.2	198.8	2,158	251.2
November	111.7	117.4	32.6	140.4	218.0	2,106	245.2
December	109.7	116.6		140.6	272.2	2,039	238.3
1989							
January				138.7		1,990	229.2

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	109.5	106.2	107.5	107.4	118.5	103.8	19.6
2nd qtr	111.8	109.1	108.6	110.3	120.5	101.1	22.3
3rd qtr	113.9	115.4	108.3	115.8	123.6	102.1	20.4
4th qtr	114.9	113.8	108.1	115.3	122.9	103.1	18.4
April	110.5	108.1	108.4	108.9	123.9	100.9	27.0
May	113.1	107.3	108.7	110.8	120.8	102.0	19.3
June	111.7	111.9	108.5	112.8	119.0	101.9	23.5
July	113.7	113.9	108.4	115.9	125.9	104.0	20.6
August	113.8	115.9	108.1	116.8	128.0	102.0	20.5
Sept.	114.7	116.6	108.3	117.0	120.8	101.9	20.1
October	114.2	115.1	108.2	117.0	128.0	101.6	19.6
November	115.3	115.8	108.8	117.8	118.8	102.0	21.5
December	118.4	110.3	107.1	112.0	124.6	103.0	13.7

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	106.2	117.1	-3,574	-3,836	+886	97.9	44.84
2nd qtr	110.5	126.8	-4,429	-2,861	+694	96.5	48.82
3rd qtr	110.2	126.2	-6,783	-3,724	+373	99.1	50.48
4th qtr.	108.9	137.3	-6,251	-6,051	+401	97.8	51.07
March	107.5	115.7	-1,036	-478	+225	96.8	44.64
April	113.9	129.3	-1,237	-648	+306	98.2	47.96
May	107.7	126.4	-1,773	-1,124	+223	98.7	48.53
June	111.6	130.2	-1,572	-863	+152	98.7	48.52
July	107.6	144.9	-3,061	-1,986	+79	98.8	49.83
August	104.5	138.2	-1,882	-1,165	+144	99.5	50.04
September	118.6	133.6	-1,249	-563	+166	98.8	50.42
October	107.0	142.4	-2,728	-2,325	+98	97.6	50.05
November	109.6	138.6	-1,886	-1,466	+137	97.4	51.04
December	112.5	136.6	-1,687	-1,257	+165	98.5	51.07

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1987							
4th qtr.	4.9	22.2	22.9	+11,202	3,007	+948	8.50
1988							
1st qtr.	5.2	20.6	20.8	+12,903	3,051	+965	8.50
2nd qtr.	6.6	18.8	20.5	+15,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.4	22.7	+15,740	3,162	+1,092	11.50
4th qtr.	7.7	14.4	20.4	+13,379		+573	12.75
April	6.1	21.5	18.7	+6,648	1,576	+313	8.00
May	6.4	20.0	18.9	+3,799	1,358	+363	7.50
June	7.3	18.6	20.5	+5,139	1,239	+429	9.50
July	6.9	18.1	21.1	+6,151	1,362	+345	10.50
August	7.6	15.8	20.6	+3,362	1,179	+471	12.00
September	8.5	17.4	22.7	+5,680	821	+278	12.00
October	7.7	13.7	18.9	+4,237	1,583	+186	12.00
November	7.7	11.7	20.4	+3,299	798	+392	13.00
December	7.7	14.4	20.4	+5,858		+295	13.00
1989							
January							13.00

	Earn-ings*	Basic matls.*	Whsale. mnfg†	RPI*	Foods	Reuters* cmdty.	Sterling
1987							
4th qtr.	120.5	98.4	109.8	103.2	101.7	1,662	74.9
1988							
1st qtr.	121.6	96.9	111.0	103.7	103.5	1,747	75.3
2nd qtr	124.5	97.8	112.6	106.2	104.6	1,817	77.5
3rd qtr.	127.5	99.5	113.9	108.5	104.7	1,902	75.8
4th qtr.	131.9	100.1	115.2	109.9	105.7	1,807	77.5
April	124.3	96.3	112.2	105.8	104.4	1,730	78.2
May	124.1	97.7	112.5	106.2	104.7	1,778	75.4
June	125.9	98.5	113.0	106.6	104.8	1,836	75.3
July	128.3	99.4	113.5	106.7	104.0	1,979	75.6
August	126.5	99.8	113.9	107.9	104.4	1,863	75.5
September	127.3	99.2	114.3	108.4	104.8	1,873	75.5
October	128.9	99.0	114.9	109.5	104.8	1,874	75.3
November	131.2	99.8	115.2	110.0	105.7	1,868	77.1
December	135.7	102.5	115.4	110.3	106.5	1,921	79.8
1989							
January		103.7	116.5	111.0	107.4	1,880	97.9

*Not seasonally adjusted.
†Net changes in amounts outstanding, excluding bank loans.

News Digest

FRANK USHER
Fall at the interim mark

FRANK Usher Holdings, USM-quoted evening wear manufacturer, returned profits of £634,000 pre-tax for the six months ended November 30 from a turnover of £6.68m. The London-based company has changed its year-end to May 31 and the reported figures compare with £783,000 pre-exceptional item and £6.95m respectively for the half year to January 31 1988. Earnings emerged at 6.1p (6.37p) per 5p share and shareholders are to receive a same-again interim dividend of 2p.

TAVENERS
Profits down to £212,000

Taveners, a Liverpool-based manufacturer of sugar confectionery, increased its 1988 turnover by £1.31m to £10.67m but saw its profits at the pre-tax level decline from an adjusted £278,527 to £212,022. Earnings fell to 6.91p (9.16p). Dividend for the year is a same-again 1.25p.

ENGLISH & SCOT
Dividend up 47% to 2.5p

A 47 per cent uplift in dividend is announced by English and Scottish Investors. A second interim payment of 1.85p gives a total of 2.5p for the year ended January 31 1989, against 1.7p. The large rise stems, in significant part, from an increase in deposit interest received from portfolio liquidity held during much of the year. The portfolio is now fully invested.

CRESTON
Back into the black

Creston reported a turnround for the half-year to December 31 1988, from pre-tax losses of £25,000 to profits of £259,000. Turnover rose from £4.98m to £5.29m. After tax of £106,000 (credit £41,000), earnings per 10p share were 1.27p (losses 1.79p). There is a maiden interim dividend of 0.7p.

KLEINWORT O'SEAS
Net assets rise by 15%

Kleinwort Overseas Investment Trust reported net assets per 25p share up 15 per cent from 140.3p to 161.6p at December 31 1988. After tax of £1.12m (£1.09m) net revenue for the year totalled £2.28m (£2.22m). A proposed final dividend of 1.7p (1.6p) makes a total of 2.7p (2.6p).

ORCHID TECH
Recovery at six months

Orchid Technology, the California-based software company which is quoted on the USM, reported a good recovery in pre-tax profits, up from $380,000 to $1.1m (£631,000) in the six months to December 31 last. Sales for the period increased from $11.19m to $15.12m.

UK COMPANY NEWS

Bowater makes West German freight disposal to P&O for £45m

Concentration on core activities

By Andrew Hill

PENINSULAR AND Oriental Steam Navigation Company (P&O) is to buy Bowater Industries' West German freight services subsidiary for £45m in cash.

P&O will buy Bowater Beteiligungs, which owns 98.2 per cent of Rhenania Schiffahrts- und Speditions, and all of Roba and Mondia Kirwan, freight handling, storage and distribution companies.

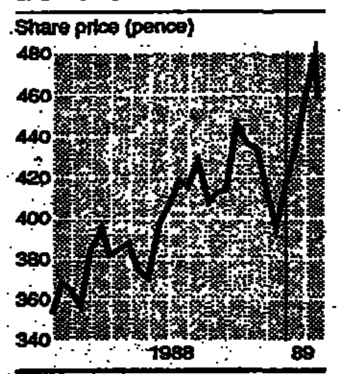
Bowater put the businesses up for sale last November as part of its drive to concentrate on core operations of print and packaging, coating and laminating, building materials and Australian interests.

Three weeks ago, Bowater sold AmAs Holding, a customs and warehousing operation based in the Netherlands, for Fl 28m (£8.87m) to a freight forwarding subsidiary of Batos, a Swedish holding company.

The proceeds will be used to accelerate the expansion of the core business. As part of this strategy, Bowater mounted an £81m counter-bid for Chamberlain Phipps, the shoe components and adhesives group, on Tuesday.

Rhenania is based in Mannheim, and also has operations in France, through Mondia Kirwan, Switzerland, through Roba, Holland and Austria. In the year to December 31 1988 the group and its subsidiaries made over £4m before tax, with operating assets of about £13m.

Rhenania will join P&O's existing European transportation network, which includes Ferrymasters, P&O Roadtanks, and some P&O Containers operations.



P&O deferred shares dropped from 683p to 665p in a weak market, and Bowater shares fell from 11p to 459p.

● Separately, Bowater issued a circular to shareholders explaining last month's £73m acquisition of a 25.65 per cent stake in Norton Opax, the specialist and security printer.

Bowater, which hopes to develop a close working relationship with Norton, said the printer's major strength lay in its leadership in certain niche markets.

"The activities of Bowater and Norton Opax are complementary", the statement said.

Bowater wants to be a supportive shareholder, but, according to Norton, has refused to rule out a bid for the printer within the year.

The packaging group said disposals of non-core businesses would reduce the group's gearing, even after taking the Norton stake purchase into account.

Bowater nets 7.48% of Chamberlain

By Philip Coggan

BOWATER INDUSTRIES, the packaging and industrial products group, said yesterday that Tuesday's raid on the shares of Chamberlain Phipps had netted a 7.48 per cent stake in the shoe components and adhesives company.

On the same day, Bowater launched an £81m cash bid for Chamberlain Phipps, topping a £75m recommended offer from Evode, the plastics and chemicals group.

The board of Chamberlain Phipps has yet to formally accept or reject the Bowater offer. Evode, which has a 4 per cent stake in Chamberlain, says it stands by the terms and the industrial logic of its offer.

The Bowater offer is 220p in cash, with a loan note alternative. The Evode offer – 10 ordinary plus 21 convertible preference shares for every 20 in Chamberlain – is worth 198.6p per share or around £75m in total.

There was little activity in Chamberlain Phipps' shares yesterday – the SEAQ system showed that only 163,000 shares were traded – and the institutions appear to be waiting for a statement from the Chamberlain board.

S G Warburg is advising Bowater, Evode is advised by Morgan Grenfell and Chamberlain Phipps by Baring Brothers.

Meyer sells Bambergers

By Nikki Tait

Meyer International, the builders' and timber merchant, isselling Bambergers, a wholly-owned subsidiary whose sole activity is a wharfinging operation on the River Crouch for £3.95m cash. The buyer is shipping company, Ship-Link UK.

Meyer, which lost out in the bid battle for Travis & Arnold but recently acquired the UBM builders merchanting chain, says that major expenditure is needed and that its own throughput alone could not justify the outlay.

The book value of the assets sold is £700,000. In the year to end-March 1988, Bambergers made a profit of £68,700.

BTS slips 24% midway

By John Thornhill

BTS GROUP, the Midlands-based remoulded tyres and replacement battery company, yesterday reported a 24.3 per cent fall in pre-tax profits in the six months to September 30, but signalled its intention to diversify into the office services market through the acquisition of Hilcon for up to £5m.

Hilcon supplies and maintains office systems throughout the UK. Its main interests are in selling computers, photocopiers and facsimile machines.

BTS's pre-tax profits fell to £81,000 (£107,000) on increased turnover of £5.65m (£4.99m). Earnings per share dropped from 1.36p to 1.03p. No interim dividend (1.3p in 1987) is planned.

Mr Michael Scorey, chairman, said the interim figures were not necessarily indicative of the full year's results, but added that sales in the second half had already been hit by mild weather affecting battery sales and price cutting by competitors.

The company had responded aggressively to defend its market and had reduced margins, but expected to benefit in the long term. BTS's precision engineering business, he said, was benefiting from buoyant industrial demand and was improving profitability.

The company claims that it has changed direction since a new management team took over in November 1988. Manufacturing and distribution activities are being streamlined which will allow the group to sell its central warehouse by the end of the current year. This will release about £1m which will be re-invested in developing the business.

BTS has also decided to diversify and intends to become "the UK's first fully integrated office equipment and services group". The acquisition of Hilcon is the first step in implementing this strategy.

In the year to February 28 1988, Hilcon posted pre-tax profits of £516,000 on turnover of £7.6m. Its net assets at that date were £1.15m.

Technical error delays Bett Bros AGM

By Nikki Tait

BETT BROTHERS, the Scottish property developer and housebuilder, yesterday announced it had postponed its annual general meeting from February 24 to March 23 because of "a technical error."

However, the company went on to say that the chairman would then report that "the events in the first half of year support his optimism at the end of last year." It added that the board was "very confident that profits for the half year to end-February will be substantially ahead of those achieved in the corresponding period in 1987/8." In that period, Bett made £512,000 before tax.

The technical error, according to the company, involved the posting of Bett's accounts one day late. It said that the matter had been brought to the company's attention by a shareholder, but that this investor had contacted them via solicitors and the company did not know his identity.

The company added that the sale of zoned land at Staines to a joint venture company owned by London and Edinburgh Trust had produced a "significant surplus," accruing to its property development activities. It has also sold one of its Glasgow developments at a profit, and says overall profits elsewhere are running at a "satisfactory" level.

Last year Yale and Valor and Land Securities were also obliged to postpone meetings for a similar reason – that is, late posting of documents.

Gold Fields' interim results due today

Consolidated Gold Fields, the diversified mining company currently fighting a £3.2bn hostile bid from Minorco, the South African-controlled investment group, will announce today its results for the six months to December 31.

Gold Fields' shares slipped 2p to £14.58 yesterday, while Minorco shares ended 5p higher at 774p to give the bidder's cash-and-paper offer a value of £14.12p.

Seaforth stake in Owen & Robinson increased to 23%

By Clay Harris

SEAFORTH Investments, a privately owned leisurewear and lighting company, has increased its holding in Owen & Robinson, the jewellery retailer and wholesaler, to 23 per cent.

Mr Maurice Dwek and Mr Tom Forsyth, Seaforth's two new representatives on the Owen & Robinson board, meanwhile, were meeting yesterday with the company's other directors.

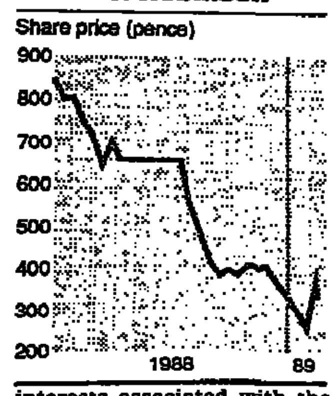
The latest 50,000 shares, like the initial 21 per cent holding bought last week, changed hands at 300p. Seaforth is thought to be ready to buy sufficient shares at this price to take its holding to 29.9 per cent.

Most of the shares have come from former directors and their families. Current directors have not sold any shares.

Seaforth's self-imposed limit on the price it is willing to pay depressed Owen & Robinson shares yesterday. They finished 20p lower at 325p, giving the group a market value of £9m.

Mr Dwek, who took over last week as chairman of Owen & Robinson, and Mr Forsyth are both former directors of Dwek Group, the leisurewear and furniture manufacturer

Seaforth, a company half owned by Mr Dwek and half by



interests associated with the MIM Britannia fund management group, owns three lighting manufacturers and a leisurewear company. The Owen & Robinson stake is its first investment in a listed company.

Owen & Robinson, which reported pre-tax profits of £358,000 in the 12 months to May 31 1988, has subsequently changed its year-end to January 31.

Miss World may raise bid

By Philip Coggan

MISS WORLD, the local radio and beauty contest group, yesterday confirmed that it was prepared to make an increased 400p per voting share bid for Piccadilly Radio, provided the offer was recommended by the latter's board.

On Monday and Tuesday, a Piccadilly egm was thrown into confusion by a further approach from Miss World, which owns the Red Rose chain of radio stations.

The Piccadilly meeting had been called to discuss a merger with Midlands Radio. Blocking the merger is a condition of the Miss World bid. However, because of the Miss World approach a vote on the merger was not taken and the meeting was postponed until March 20.

At the rescheduled meeting, there will be a vote on a change to the company's articles, to allow one shareholder to own more than 15 per cent. Unless that vote, which requires a 75 per cent majority, is passed the Miss World bid cannot succeed.

Yesterday, Mr Colin Walters, chief executive of Piccadilly Radio, issued a statement attacking the lack of detail in the revised Miss World approach. "We note that Miss World refers to a cash alternative" he said "but we are concerned that the precise parameters of the cash alternative have not been spelt out. I do not see how Miss World expects our directors to give proper consideration to the recommendation that it is requesting".

"Until such time as all aspects of the new offer are announced we will not be able to recommend it", he said.

COMPANY NEWS IN BRIEF

AVONMORE FOODS is buying the Westmeath Co-operative Agricultural and Dairy Society for a maximum consideration, including deferred payments, of some I£8.5m (£7.05m).

HAMPSON INDUSTRIES has acquired the PB Group, a Kent-based manufacturer and supplier of aluminium products for use in double glazing. The deal will be financed via the issue of £2m worth of cumulative convertible redeemable preference shares, of which £300,000 worth will be placed. The balance will be retained by P Bingham, the principal shareholder in PB.

HOGG ROBINSON & Gardner Mountain: Gardner Mountain & Capel-Cure Agencies, the wholly-owned Lloyds members' agency of HRGM, has acquired KC Webb (Underwriting) for about £135,000 cash. Further consideration of about £100,000 is dependent on future results.

LEIGH INTERESTS has acquired a waste disposal business at Cliffe, near Selby, from Mr Michael Simpson. It will be combined with J E Bartram to consolidate the company's position in the area. Mr Simpson will retain his helicopter spraying and property interests.

RODIME is ceasing manufacture at its Boca Raton, Florida, plant and will only use it for rental product assembly and disk drive engineering. A further 100 employees will be served redundancy notices, following the 50 given notice earlier this month.

ST DAVID'S Investment Trust: Interim dividend 4p (3.5p) for the six months to January 31. Net asset value 162.44p (137.38p) per capital share. Pretax revenue £257,000 (£237,000) and earnings 4.69p (4.22p).

FII keeps step in depressed market

By Alice Rawsthorn

FII GROUP, one of the largest footwear manufacturers in the UK, achieved static pre-tax profits of £3.23m in the first half of the year despite the depressed state of the shoe industry.

In the last 18 months the UK industry has been hit by a sharp surge of imports from low cost producers in South East Asia. This has imposed pressure on profitability and depressed output at many shoe companies.

FII experienced a fall in profits in its 1987/88 financial year. The level of demand improved towards the end of the first half of this year, however, and it managed to maintain interim profits.

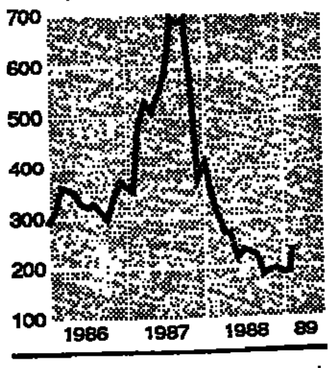
Mr Monty Sumray, chairman, said the recovery has continued in the opening weeks of the second half and the group's factories are all working on "full-time or overtime" to keep pace with demand.

Group turnover rose to £32.85m (£30.89m) in the six months to November 30. Earnings per share increased to 17.6p (17.4p) and the interim dividend is being raised to 3.5p (3.25p).

FII held a cash surplus of £5m at the end of the interim period. Mr Sumray said it intends to continue with its heavy capital expenditure programme. The group recently invested in "quick response" programmes for its footwear factories. It is now putting money in computer-aided design and water jet cutting systems.

It has also invested heavily in research and development for its scientific division, which provided about 5 per cent of turnover in the first half. The division is now expanding outside the UK and now intends to grow by acquisition.

FII Group



● **COMMENT**

FII is a phenomenon in the footwear industry. For years it has invested heavily to equip its factories with the most modern machinery. The investment has stood it in good stead in the last year or so. At a time when the industry has been scarred by job losses and company closures, FII has managed to maintain interim profits. The state of the shoe trade is still precarious and it would be foolish to make forecasts in so erratic an environment. But FII should at least maintain – and possibly increase – its profits in the full year. The City was far from enthusiastic about footwear when the industry was in a healthy state and the current crisis has simply confirmed its worst suspicions. FII's share price, which has crumbled during the crisis, was static at 235p yesterday. It will take a long time before the City is confident enough to allow it to recover.

Sutton Water turns down offer for part of its voting stock

By Andrew Hill

SUTTON DISTRICT Water Company yesterday rejected the tender offer for part of its voting stock from Mr Duncan Saville, the Sydney-based investor.

The board of the statutory company met Mr Saville on Tuesday. Sutton said he had not convinced the company that it would benefit from an increase in his stake.

A week ago Mr Saville offered £15.10 in cash for each £1 nominal of Sutton's 7 per cent and 4.9 per cent voting stock, through his investment vehicle, Associated Insurance Pension Fund, in an attempt to lift his holding from 12.5 per cent to 29.9 per cent.

But over 40 per cent of Sutton's shareholders have already said they will not accept the offer, which compares with a market price of £16.50 for each £1 nominal of voting stock. The price was £10.50 before Mr Saville paid £15 per stock unit in January to increase his holding.

Mr Saville believes he could help bring together the boards of water companies to their mutual advantage. He also holds a 28 per cent stake in Sutton's neighbour, East Surrey. Both companies are in the Thames Water Authority's region.

AIPF has been reducing its stakes in four water companies in Southern Water Authority's region, and may well commit its remaining stake to agreed unconditional offers from two French suppliers, Compagnie Générale des Eaux and SAUR Water Services.

Together with Southern, AIPF launched unsuccessful counter-bids for two of the statutory companies in the area earlier this year.

Isotron expands 19% to £1.2m

By Peter Franklin

ISOTRON, the company which specialises in gamma irradiation services, announced a 19 per cent increase in pre-tax profits from £970,000 to £1.15m in the half-year to end-December 1988.

The result was achieved from a 7 per cent increase in turnover to £2.36m (£2.21m).

Profit at the operating level rose to £1.06m (£957,000) and interest receivable increased to £86,000 (£13,000).

After a tax charge of £402,000 (£340,000), earnings per share worked through at 6.1p (5.1p) and directors have declared an improved interim dividend of 0.87p (0.72p).

Isotron harnesses the properties of gamma rays to sterilise products such as medical disposables and pharmaceutical ingredients.

One of the main advantages of the process is that it can be carried out on products ready for distribution in their final packaging.

Mr Colin Clive, chairman, said all five plants were operating well. The biological sector made good progress throughout the half year, with an even wider range of products being irradiated.

Good results were also achieved in the chemical sector, which together with the biological market represents one third of turnover, he said.

The medical business had grown only marginally over the period because of a slow first quarter, he said, but with the market for medical disposables now buoyant he anticipated improved performance from this sector in the second half.

Meggitt in £0.3m sale

Meggitt Holdings, a specialist engineering group, yesterday announced the sale of three non-core businesses for £312,000.

The disposals follow a decision to reorganise its divisional structure.

Meggitt Machine Tools and Circuit Automation have been sold to their managements. Bestobell Insulation Services, thermal insulation contracting business, has been sold to Darchem, the Darlington-based engineering group.

The three businesses had a combined turnover of £4.6m.

Robertshaw continues to build Hicking stake

ROBERTSHAW Holdings, the private property development company run by Mr Stuart Robertshaw, continues to build its stake in Hicking Pentecost, the Nottingham-based knitwear manufacturer and dyer.

It was announced yesterday that Robertshaw had bought another 91,500 shares lifting its total holding to 1,072,500, 16.8 per cent of Hicking Pentecost's share capital.

On Monday, it was revealed that Robertshaw had acquired a 14.83 per cent stake and this was subsequently increased to 15.37 per cent.

Mr Stephen Hyde, Hicking Pentecost's chairman, said yesterday: "The logic of the holding is still unclear to me." Mr Hyde and Mr Robertshaw are to meet later this week.

FINANCIAL TIMES CONFERENCES

RETAILING IN THE 90s - THE ROLE OF TECHNOLOGY
London, 20 & 21 March 1989

The FT's latest conference on retailing will review the changing market conditions and the growing importance of new powerful technologies and innovation for retailers. The conference will be chaired by James Gulliver of Lowndes Queensway and Richard Weir of the Retail Consortium. Speakers include Sophie Mirman, Sock Shop International; John Thompson, Index Group; John Barry, The Boots Company; Felix Barber, The Boston Consulting Group; Jeremy Soper, W H Smith; Gareth Williams, Marks and Spencer and Robert Bramley, Allied Breweries.

TRANSPORT LINKS WITH THE CONTINENT - COLLABORATION TO MEET THE CHALLENGES OF FUTURE GROWTH
London, 9 & 10 May 1989

This major FT forum on transport links with the Continent will look at the challenges for transport planners and businessmen of meeting future growth traffic demands and the effect of the Channel Tunnel, the biggest transport project in Europe.

Speakers taking part include: The Rt Hon Paul Channon, MP, Secretary of State for Transport, UK, Jean Bouley, Union Internationale des Chemins de fer, Alastair Morton, Eurotunnel, Sir Robert Reid, CBE, British Railways Board and Sir Jeffrey Sterling, CBE, The Peninsular and Oriental Steam Navigation Company.

EUROPEAN BANKING FORUM IN VENICE
Venice, 15 & 16 May 1989

Two years ago the Financial Times arranged a highly successful European Banking Forum in Milan. On May 15 and 16 the FT returns to Italy for a further meeting in this series. Another excellent group of Italian speakers has accepted our invitation to participate and the contributors from the rest Europe and from the United States cover a wider range of subjects than was the case in 1987. Banking in the Single European Market is one of the principal themes at this year's Forum.

The speakers include Deputy Prime Minister Professor Giuliano Amato, Jean-Yves Haberer, President of Crédit Lyonnais, Anthony Solomon, Non-Executive Chairman of S G Warburg Inc, Win Bischoff, Chairman of Schroders, Hans-Jeorg Rudloff, Chairman of CSFB, Emilio Botin, President of Banco Santander, Geoffrey Fitchew, Head of DG XV in Brussels, Sergio Pininfarina, President of Confindustria, Francesco Paolo Mattioli, General Manager of Fiat, Martin Taylor of Deloitte Haskins & Sells, Professor Norbert Walter, Chief Economist of Deutsche Bank, Robin Hutton, Director-General of the British Merchant Banking and Securities Houses Association and former Head of DG XV, Samuel Brittan of the Financial Times and Professor Mario Monti of Bocconi University.

All enquiries should be addressed to:
Financial Times Conference Organisation,
126 Jermyn Street, London SW1Y 4UJ.
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
312	185	Ass. Brit. Ind. Ordinary	312xd	0	10.3	3.3	8.4
308	186	Ass. Brit. Ind. Cols	308	0	10.0	3.2	-
42	25	Armitage and Rhodes	36	0	-	-	-
57	29	BBB Design group (USM)	29	0	2.1	7.1	4.6
173	150	Bardon Group (SE)	154	0	2.7	1.8	26.3
117	100	Bardon Group Cv. Pref. (SE)	107	0	6.7	6.3	-
148	103	Bray Technologies	122	0	5.2	4.3	7.9
114	100	Bremhill Conv. Pref	107	0	11.0	10.3	-
292	246	CCL Group Ordinary	292	+2	12.3	4.2	4.4
170	124	CCL Group 11% Conv.Pref	170xd	+2	14.7	8.6	
158	129	Carbo Plc (SE)	158	0	6.1	3.9	13.7
113	100	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	
377	147	George Blair	377xd	+2	12.0	3.2	8.3
121	60	Isis Group	121xd	0			15.9
118	87	Jackson Group (SE)	120	0	3.3	2.8	13.3
300	245	Multihouse NV (AmstSE)	300	0	-	-	-
139	40	Robert Jenkins	100	0	7.5	7.5	3.8
430	124	Scruttons	405	+1	8.0	2.0	36.0
280	194	Torday & Carlisle	272	0	7.7	2.8	13.2
280	100	Torday & Carlisle Conv Pref	106	0	10.7	10.1	-
101	56	Trewian Holdings (USM)	101	+1	2.7	2.7	10.9
113	100	Unistrut Europe Conv Pref	110	0	8.0	7.3	
377	350	Veterinary Drug Co. Plc	377	+2	22.0	5.8	9.4
370	203	W.S Yeates	368	0	16.2	4.4	70.8

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8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
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8 Lovat Lane, London EC3R 8BP
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PUBLIC WORKS LOAN BOARD RATES

Effective February 22

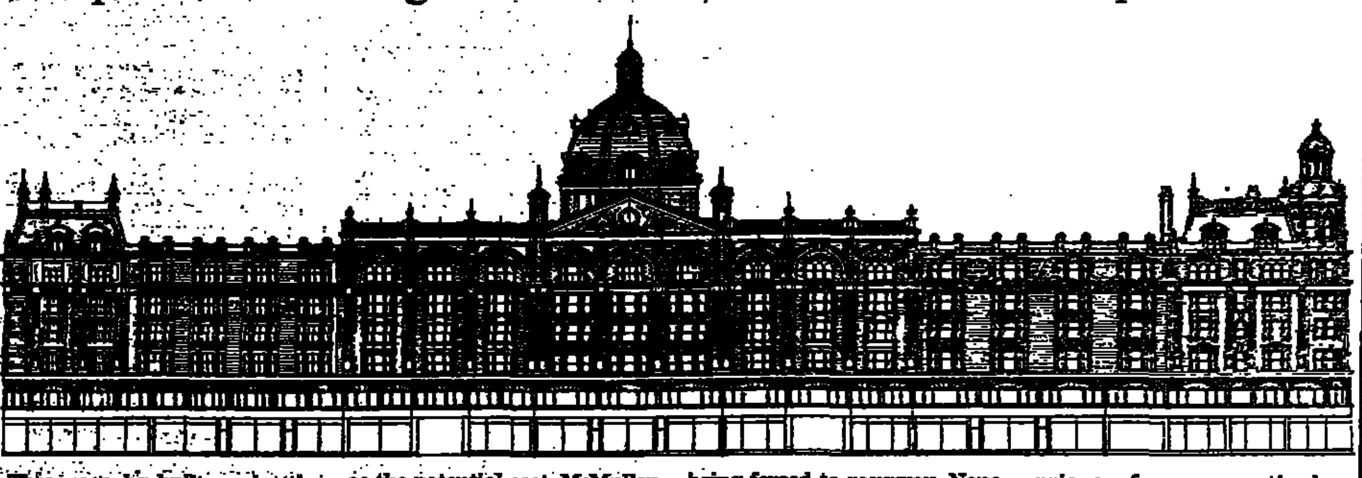
Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			11¾			12½
Over 1 up to 2	11½	11½	11	12½	12½	11¾
Over 2 up to 3	11¼	11⅛	10¾	12¼	12⅛	11½
Over 3 up to 4	10⅞	10⅞	10½	11⅞	11⅞	11¼
Over 4 up to 5	10¾	10¾	10⅜	11¾	11¾	11⅛
Over 5 up to 6	10⅝	10⅝	10⅜	11⅛	11⅛	10⅞
Over 6 up to 7	10½	10½	10⅜	11	11	10⅞
Over 7 up to 8	10½	10½	10¼	11	11	10¾
Over 8 up to 9	10½	10⅜	10	11	10⅞	10½
Over 9 up to 10	10⅜	10⅜	9⅞	10⅞	10⅞	10⅜
Over 10 up to 15	10¼	10	9½	10¾	10⅜	10
Over 15 up to 25	9⅝	9⅜	9⅛	10⅛	9⅞	9⅝
Over 25	9¼	9⅛	9	9¾	9⅝	9½

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY

A shop window on the world of on-screen layouts

Paul Abrahams explains how Harrods and other retailers are using computer-aided design to make the most of their floor space



The financial statements of UK retailing companies in recent weeks suggest that times are hard. Fixed costs, such as rents and wages, are rising and stores are struggling to achieve sufficient sales to cover their overheads.

But despite these difficulties, retailers are still finding it cost effective to redesign their outlets. And they are increasingly using computer-aided design (Cad) systems to carry out these renovations more effectively.

"As margins have come under gathering pressure across the board, so there has been a move towards trying to increase sales per square foot," says Roy Maconochie, stores analyst at London stockbrokers, James Capel.

"To do that they need attractive and efficient shop floors. Computers can play an important role in helping improve sales densities by optimising the use of space," he says.

Maconochie explains that one of the main commercial advantages of Cad is that designs can be repeated in different locations more easily. This helps to create a nationwide identity for chains, differentiating them from competitors. He believes this will become particularly important in the women's clothing sector which has been suffering from over-capacity and little differentiation between stores.

However, not all the advantages of Cad systems come at the bottom of the balance sheet. Designers have also discovered advantages in using Cad systems. Not least, according to Tony Watson, planning controller at the estates department of Tesco, the UK food retailer, these systems can help to increase their productivity.

"The productivity of our department has increased 100 per cent since we invested in a Cad system," he says. "When we worked by hand we covered between 10 and 11 stores a year. Now, with the same staffing levels but with workstations, we can deal with as many as 20 projects a year."

Watson explains that the first stage is to enter the floor plan of the building on to the computer, either by using a digitiser or by feeding co-ordinates into the machine.

Details, such as interior walls, doors, stairs and lighting can then be inserted, copied or deleted as easily as editing on a word processor. These elements can be drawn in either two or three dimensions by the computer operator using an electronic mouse.

Another source of design elements are electronic databases. These can be built up by the designers, who file images digitally for use on similar projects. This is particularly handy for chains of stores which use many of the same items on different sites.

Andrew McMullen, who is in charge of the Cad system at McColl, the London-based architects and interior designers which is part of the WPP group, explains that his company has built up a number of databases for retail clients such as Dorothy Perkins, part of the Burton Group, and HMV. He says that HMV's design details, which include doors, checkout points and record racks, are expected to be used when the music retailer sets up stores outside the UK.

McColl has recently completed design work on the standard components for the refurbishment of the Halifax Building Society outlets. All of the items, such as consultancy desks, tables, furniture for the reception area and even the queueing system, were digitised so that they could be used on other sites around the country.

The Royal Institute of British Architects also offers a range of about 50 databases with more general information about furniture, sanitary fittings and plumbing. These include details about manufacturers and the price of goods. The data can be used to build up a shopping list of items needed for a building, as well as the potential cost. McMullen explains that previously these had to be worked out by hand, which was expensive, time-consuming and often inaccurate.

The databases can also be "intelligent" in working out the engineering and technical tolerances of buildings, says Neil McLeod, technical marketing manager at Intergraph, the Alabama-based Cad workstation manufacturer. This means, for example, that the software can warn a designer that he has placed too many lights in his plans, risking overload of the electrical circuits.

A further advantage of Cad systems, according to Watson at Tesco, is that it allows architectural teams to work more efficiently. Any changes that are made to a base plan, he says, immediately appear on other architects' diagrams.

The first large department store in London to invest in a Cad system is Harrods, of Knightsbridge. Malcolm Wiffin, house architect, says that one of the main reasons for the decision was to keep track of developments around the building. The scale of Harrods – it has five floors and a basement, each of which covers four acres, making a total of 1.2m sq ft – meant it was difficult to ensure that all the plans stayed up to date.

"We have about four or five major projects a year worth between £4m and £5m," says Wiffin. "And our refurbishment plans were being held up because we were continually being forced to resurvey. None of our plans was accurate because the store changes so rapidly."

Wiffin adds that he eventually hopes to use the computer for presentations to management. The Intergraph system which Harrods has purchased is capable of photo-realistic images, including shadows, reflective surfaces and multiple light sources. It is also possible to have moving images which simulate what the customer sees as he or she walks through the store.

He adds that the Intergraph system is capable of showing a building in light generated at different times of the day and year, whatever the geographical location.

"Three-dimensional realistic images are extremely handy," says Ken Kerr, design manager at the Conran Design Group, part of Storehouse, the UK retailing group. "They can show drawing-illiterate clients – who can't understand two dimensional diagrams – what the building will look like. At very least it reduces the shock."

Although, the range of features now available for stores and interior designers is one of the causes for their recent decision to make Cad purchases, Neil McLeod at Intergraph believes that there are other reasons.

"The retail sector has been looking at Cad for the last two years," he says. "But it is only in the last six months that the price-performance ratio has improved sufficiently. Prices have fallen and the increase in power means that the software can be more sophisticated and easier to use."

Wiffin, at Harrods, says: "We purchased a complete system of two workstations, digitiser, plotter and application packages for £60,000. That would have cost £150,000 two years ago which just wasn't viable.

"The new system is also staggeringly simple," he adds. "You can manipulate images with very little effort and with minimal special training."

The Continental interior design market for Cad has been slow to take off, according to McLeod. He claims that this is because the architectural industry is much more fragmented than in the UK. Until prices fell, the smaller practices were unable to justify buying such expensive equipment. However, the main suppliers of software, Intergraph, Rucaps and Autocad, now expect rapid expansion throughout Europe.

Certainly those using Cad for interior design appear enthusiastic. When McCullan was asked whether there were any drawbacks, he had difficulty thinking of any. Then, after a moment's hesitation, he admitted, "the only real problem with Cad is that it messes up radio reception on VHF. That means we have to listen to medium wave and BBC Radio One is the only station we can get."

Cutting the cost of radio phones

PHILIPS Components, the Dutch manufacturer of semiconductor chips and other electronic components, has succeeded in reducing the number of chips in cellular radio telephones by about 60 per cent.

The Eindhoven-based company claims that it is the first to market a chip set tailored to the needs of the next generation of pocket-sized, battery-powered cellular phones. There are only six chips in the Philips set whereas a dozen or more are needed in many designs.

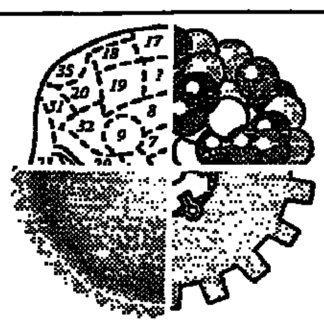
The number of discrete electronic components (capacitors, resistors) are also reduced and Philips believes that the whole radio-phone design can now be implemented on a single printed board, compared with up to eight in conventional designs.

Cutting the number of chips reduces the number of interconnections and hence the cost of manufacturing and testing; reliability is improved as well. It should also be possible to get new radio-phone products to market more quickly because less design time is needed.

The Philips designers have also made more use of "stand-by mode" circuits in which no current flows until signals are present. This should increase the battery life of a hand portable from its present one hour, approximately, of continuous use.

The company has put about 50 man-years into the design of the new chip set. It is likely to be well received by the set makers, which are faced with reducing prices in an increasingly competitive market. US prices for all radio phones have been dropping at more than 20 per cent a year. The 1983 cellular radio price of $3,000 (for a car-mounted system) had dropped below $500 at the end of 1988.

Philips thinks the greatest growth will now be in hand portables.



WORTH WATCHING

Edited by Geoffrey Charlish

Sharp pictures of sharp characters

GOOD, sharp pictures of people involved at the scene of crimes in banks, building societies, airports and other vulnerable premises are not easily obtained.

Often video cameras have failed to provide sufficient definition; and the subject may well be moving about swiftly, inducing blur into the recorded television frames.

But things will soon get more difficult for the criminals because Hadland Photonics, of Hemel Hempstead in the UK, has developed a still video camera system which greatly improves the chances of a sharp picture, whatever the circumstances.

Called SV-553, it uses a high-definition image-sensing chip, from which two pictures are taken every second and recorded on standard VHS tape.

Frame exposure times can be very short using an electro-mechanical shutter, reducing movement blur.

Hadland Photonics says that a sensitivity equivalent to 2000 ASA film speed is obtainable. This allows small lens apertures to be used for better sharpness over more of the picture area.

The monochrome pictures displayed on the high resolution monitor are close to photographic quality. Polaroid Corporation of the US has designed an instant printer for the system, allowing 5 by 4 in prints to be made quickly, for distribution to police officers for example.

The images, which are digital, can be sent to other locations over suitable links.

If required, the camera can also be used as a regular live action television camera.

New method of in-house printing

RANK Xerox (UK) claims to have developed the first viable alternative to offset black and white printing. Its model 5090 xerographic printing and finishing machine combines the flexibility and economy of duplicating photocopiers with a consistent printing quality "comparable to that of offset machines."

The new machine can produce 135 copies per minute. It has automatic collating and carries out stitching and binding. A 125-page document is thermally bound in 13 seconds.

Initial field trials carried out by the company, comparing the total job time of the 5090 with that of offset printing, show that productivity gains of 30 to 50 per cent can be achieved.

Capable of printing complex documents with covers and tabbed section dividers, the 5090 will produce reports, manuals, directories, contract documents and catalogues. It can handle fine art, original photographs and half-tones. A re-circulating document handler holds up to 250 originals.

A computer with 20 megabytes (20m characters) of memory controls the new printer. Among the many functions it looks after is one which allows the operator to program the next job while the current one is still running. The computer can hold the programmed instructions for up to 36 jobs, ready for use at the press of a button.

Cladding to keep hulls clean

THE GROWTH, mainly of barnacles and weeds, on ships' hulls needs to be prevented since the frictional drag it causes raises fuel costs. Removing the growth annually is expensive, so the ships are often coated with anti-fouling paint.

The commonest variety of this paint contains tri-butyl tin (TBT). But TBT stands accused of impairing other kinds of marine life, and the opposition to it has led to regulations banning its use.

In response NKK, of Japan, has turned back to copper which has long been known to do a similar job. With Sakai Steel Works, NKK has conducted successful tests of a 0.5 mm thick cupro-nickel cladding for ships' plates.

The composition is 90 per cent copper and 10 per cent nickel. NKK is supplying samples of the cladding, on 14.5 mm steel plate, to the Japanese Ship Research Institute.

CONTACTS: Philips Components: The Netherlands, 40 791111. Rank Xerox: UK, 0895 51133. Hadland Photonics: UK, 0442 832525. NKK: Tokyo, 212 7111.

COMPANY NOTICES

COMMODITIES AND AGRICULTURE

Non-Opec oil producers offer to do their bit

Steven Butler on fresh efforts to support prices

A GROUP of oil producing countries not affiliated with the Organisation of Petroleum Exporting Countries has now given the firmest indication yet that real cuts in exports are in the offing as part of an effort to support oil prices.

What is less clear is what this means for oil markets in the second quarter, when the cuts are promised. The longer term looks even murkier.

The cuts being discussed by Mexico, Oman, Angola, China, Malaysia, and Egypt, in the range of 200,000 to 300,000 barrels a day, would amount to roughly half a per cent of oil supplies outside the communist world, which is less than the margin of error for most estimates of production. Observers to the talks in London this week included the US state of Alaska, the Canadian province of Alberta, Colombia, Norway, the Soviet Union and the Yemen Arab Republic.

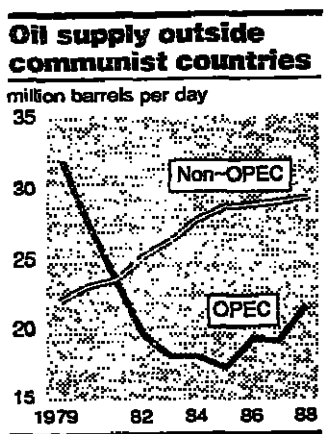
The cuts would only total about half of the North Sea production that is currently shut in because of accidents and equipment failure, most of which will be coming back on stream in the coming months, virtually cancelling out the effect of the non-Opec cuts.

Opec itself is producing at least this much above its self-imposed ceiling. Most observers believe the cartel may be a million barrels a day above the 18.5m b/d level agreed in late November. All of this means that the short term impact on oil supply, should exports actually be cut, is likely to minimal, raising the question of why bother at all?

Unlike the big Opec producers, which can affect oil prices by the amount they produce, a cut in exports by these relatively small producers means a direct cut in revenue.

The answer is almost surely that the oil producers are playing a psychological game with the markets in the short run – the "Madison Avenue strategy" as one analyst puts it – and in the long run attempting to influence the real powers in the oil markets, the Opec countries themselves. This is a risky strategy although the rewards could be great.

Oil supply outside communist countries



The accompanying illustration shows how non-Opec oil producers have benefited at the expense of Opec during this decade. In 1986, the Opec countries, led by Saudi Arabia, their biggest producer, decided they had had enough and fought to regain market share by driving down the oil price.

This delivered a blunt message to non-Opec producers which, during the 1988 collapse of oil prices, seems to have finally sunk in. Last year Opec turned its back an offer from non-Opec countries for a reciprocal five per cent cut in exports. Opec turned away mainly because its own house was in disarray, but privately many Opec members were angered by what they saw as a patently unfair proposal. Saudi Arabia had its production slashed by more than 50 per cent since its production peak early in the decade. Reciprocal 5 per cent export cuts would take far more away from Opec than the non-Opec countries.

They were also upset by what many saw as ridiculously high base figures from which to calculate cuts by the non-Opec countries.

Many Opec producers feel they have been played with politically by the non-Opec producers. Mr Isaam Abdul Raheem Al-Chalabi, the Iraqi oil minister, has been openly scornful of Norway's policy of keeping production 7 per cent below capacity. Since Norway's capacity is rising rapidly, so are production and exports. Norway suffered scorn on both sides, since when oil prices plunged in response to Opec indiscipline, Norway patiently restrained production and watched revenues plunge.

This time around, both sides are approaching the problem with more caution. The non-Opec countries have conceded that Opec has now done its bit to strengthen oil prices, even though serious doubts remain over how much Opec has cut production since it November meeting. The proposed non-Opec cuts are to be unilateral.

Dr Subroto, the Opec secretary general, yesterday gave a cautious welcome to the non-Opec pledges, even though a number of difficulties remain to be resolved. The base levels from which to determine cuts are still unclear, and it is difficult to see why monitoring non-Opec compliance with pledges should be any easier than for Opec, where it has proved extremely difficult.

If both sides move slowly, creating the appearance that co-operative efforts are continuing to develop, oil markets are likely to respond positively.

The non-Opec countries know well that in the end decisions taken by the big Gulf producers, who have enormous spare capacity, will determine the value of their own oil production. If by showing moderation now, and responding to Opec calls for restraint and co-operation, the non-Opec producers can encourage future restraint by Opec, the rewards will be enormous.

On the other hand, it is difficult to believe that, given their recent behaviour, Opec members in the end will not just take a calculated view of their own self-interest. If the stakes are just a quarter million barrels a day of production, it is not worth sacrificing much to obtain co-operation from other producers.

Australian steam coal price rise agreed

By Chris Sherwell in Sydney

AUSTRALIAN steaming coal producers have won a second successive price increase from Japanese power utilities under an agreement reached in Tokyo for the year beginning in April.

In sharp contrast to last year's drawn-out negotiations, the agreement was concluded quickly and cleanly.

It specified a price of of US$39.15 per tonne, $3.50 above the $35.65 agreed for the current year and well ahead of the low of $29.40 struck in 1987-88.

Even after allowing for the appreciation of the Australian dollar, the price rise will help to put the coal companies on a firmer financial footing and assist Australia's chronic balance of payments problems. Coal is the country's second most valuable export after wool.

Although the deal is for little more than 1m tonnes and involves just three producers in New South Wales and the Chugoku Electric Power Company, it represents the benchmark for most of the 20m-plus tonnes of steaming coal Australian companies will export to Japan during 1989-90.

The increase exactly matches the US$3.50 a tonne rise won in December by Australian producers of hard coking coal, but it is less than the US$5 a tonne increase achieved by soft coking coal producers.

In US dollar terms it represents a 9.8 per cent increase, but at the Australian dollar exchange rates prevailing at the time each year's contract was agreed it amounts to just 4.5 per cent.

This is because the Australian currency has strengthened sharply against the US dollar in recent months. According to some analysts, the sharp weakening of the Australian dollar in the past week was probably an inducement for the producers to settle quickly.

At a more fundamental level the increase also reflects continuing Japanese demand, based on the domestic economy's strong growth, and a shortage of reliable supplies from other producers.

The early settlement is a welcome contrast to last year's awkward wrangle, which stretched over many months up to the October 1 deadline.

The US$35.65 price which was then finally agreed represented a healthy 21.25 per cent increase over the previous year's low figure, but there was little desire to repeat the process.

Warning on EC sheepmeat costs

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Community's sheepmeat regime has become a bonanza for some and a racket for others, Mr Peter Pooley, deputy director general for agriculture in the European Commission, warned yesterday.

Mr Pooley, speaking at Agra-Europe's annual European Agricultural Outlook conference in London yesterday, said that unless it was speedily reformed, the regime would soon be costing Ecu 2bn (£1.28bn) a year, making sheepmeat four times more expensive per tonne to support than beef.

The sector was the only major one left in the common agricultural policy for which there had as yet been no reform.

Although the Commission had produced proposals, these were proving difficult to negotiate because those involved had "so much to lose in bringing the regime back to sanity."

The Commission's proposals for the régime include the abolition of the variable premium on lambs enjoyed by Britain, a chief beneficiary of the regime.

Mr John MacGregor, Britain's Minister of Agriculture, skated over the problems of the sheepmeat regime in his opening remarks to the conference, preferring to dwell on the success so far of the CAP reforms which had markedly reduced the notorious "mountains" of surplus farm produce and helped to bring the market support budgets for most commodities under "binding" controls.

Mr MacGregor commended the Commission's attempts to return intervention buying of surpluses to the original concept of an end-of-season safety net. According to Mr Pooley, the Commission's moves on intervention had been successfully designed to produce a "radical and damaging change in the pattern of intervention and the pattern of the market."

The importance of the EC's reforms, which are based on so-called budget stabilisers, was that they formed a strong links between the policy of prices and the policy on intervention. This made possible an "unremitting prices policy" most of which could be applied on a more or less automatic basis by the Commission – rather than involving the Council of farm ministers.

However, Professor Stefan Tangermann, of Gottingen University in West Germany, took a rather more sceptical view of the reforms. Like budget discipline, many of the key elements of the stabilisers had been tried before and had proved ineffective, he said.

The outlook was gloomy, especially for cereals, where stabilisers had failed to curb production. They could turn out to be a precursor of a cereals quota or a mandatory scheme to set-aside arable land, Professor Tangermann said.

A voluntary set-aside scheme was introduced by the EC late last year and yesterday Mr MacGregor gave the first detailed figures for its implementation.

Even though Britain is one of the few countries to have implemented the scheme fully, only 1,520 farmers would participate this year, setting aside 143,000 acres.

Mr MacGregor said that, contrary to some reports, while one third of farmers had elected to set aside all their eligible land these were mostly small plots, often less than 25 acres. Only 5 per cent of applicants were setting aside areas of more than 250 acres.

Mr MacGregor also noted that tenant farmers were finding the scheme attractive, since one third of applications were from them. Also applying were cereal producers in counties like Norfolk, giving the lie to suggestions that only marginal cereal producers would be interested in the scheme.

Japanese beef up Australian investments

By Chris Sherwell

FOREIGN INVESTMENT in Australia's beef industry, particularly from Japan, is provoking a sharp domestic reaction, with calls for government action to toughen controls.

The pace of Japanese investment has quickened noticeably in recent months following the announcement that Japan's market will be progressively opened over the period to 1991.

But the trend has prompted fears that the benefits which might be expected to go Australia's way will instead pass into Japanese coffers as a result of vertical integration by powerful Japanese groups.

This week the Cattlemen's Council, representing beef producers in the key states of Queensland and New South Wales, renewed its call for a halt to further foreign investment in the industry until tougher government guidelines are introduced.

It repeated accusations that Japanese beef importers, through their heavy mark-ups and complex distribution systems, have reaped enormous profits from the sale of Australian beef in Japan. It said they were now using these gains to invest in Australia and protect themselves in the post-liberalisation period.

The Cattle Council of Australia, which represents the whole beef industry, has yet to call for a moratorium, but it is clearly concerned about Japanese investment in the cattle and meat processing industry.

It agrees that Japanese investment should be in the form of joint ventures and joint participation with Australian interests, and it argues for equivalent access to the Japanese market through reforms of the marketing and distribution system.

Detailed information about the scale of Japanese investment in Australia's beef industry is difficult to come by. It appears not to have focused on cattle properties, but rather on feedlots, abattoirs and meat processors, with the aim of supplying Japan with more grain-fed beef from Australia, which Japanese prefer. Australia produces mostly pasture-fed beef.

Among the deals publicised over recent months are two involving full or majority ownership of feedlots and abattoirs by a partnership of Mitsubishi Corporation and Hannan, and a third by Nippon Ham. Another Japanese company, Itoman, has taken a minority stake in several meatworks, while Marubeni Corporation has bought a cattle-fattening property.

According to the Cattle Council, Japanese interests now control or have a sizeable share in around 12 per cent of the country's export meatworks capacity, involving almost 25 per cent of Australia's beef exports to Japan.

For its part the Government has welcomed Japanese investment in the industry, arguing that it is inevitable given the forthcoming liberalisation and the high value of the yen. It also points out the advantages to Australia in having Japan source more of its beef from Down Under.

Gatt sees strong demand and reduced supplies

By William Dullforce in Geneva

STRONGER PRICES in the world beef and veal market in the short and medium term would seem to be guaranteed, according to the secretariat of the General Agreement on Tariffs and Trade.

It bases this prediction on expected strong demand from major markets, reduced supplies from some important exporting countries and the likelihood that competing meats, such as pork and poultry, will be more expensive.

However, in its annual report on international meat markets Gatt hedges its bets by pointing out that subsidies, import restrictions, voluntary restraint arrangements and other national measures still hamper confident predictions.

Last year world trade in beef and veal expanded by 5 or 6 per cent in volume, Gatt estimates, to a record 4.4m tonnes. Bovine meat prices remained relatively high but somewhat lower than in 1987. Gatt puts global production at 48.3m tonnes.

Factors highlighted in the report are the North American drought, which led to increased forage and feed costs, and the disposal of European Community beef stocks, which decreased by 42 per cent over the year to 451,000 tonnes at the beginning of 1989.

The EC increased its exports by nearly 4 per cent to an estimated 900,000 tonnes, displacing Australia as the leading exporter. Australian sales fell by 4.1 per cent to 874,000 tonnes due to lower output and currency appreciation.

Expanding output and lower domestic consumption combined to lift Brazil's beef exports by 68.4 per cent to some 500,000 tonnes. Uruguayan shipments rose by nearly 40 per cent.

The US, by far the world's biggest importer, bought 4.7 per cent more foreign beef in 1988 as the dollar strengthened and domestic output fell.

Looking at 1989 prospects, the Gatt secretariat notes that the rebuilding of cattle herds is still going on in an increasing number of countries, so it expects supplies of beef and veal to decline further.

Import demand will be stronger, the report predicts. Japan will buy more beef and demand from other East Asian countries, North Africa and the Middle East is expected to be firmer.

The International Markets for Meat 1988-89, from the Gatt Secretariat, 154 rue de Lausanne, 1211 Geneva 21. Price SFr12.

Venezuela sells gold to raise reserves

By Joseph Mann in Caracas

VENEZUELA'S NEW Government this week began selling non-monetary gold to replenish international monetary reserves.

On Monday, the Central Bank of Venezuela despatched eight tonnes of non-monetary gold to an undisclosed buyer in London. Mr Pedro Tinoco, the bank's president, said that on the same day the Government shipped some monetary gold reserves to London as part of a "strategic placement" of gold reserves in "the most important world financial centres."

He stressed that, while the non-monetary gold was to be sold, the government would not sell or pledge its monetary gold reserves against loans.

The Government reported that its monetary reserves fell by almost 30 per cent last year, to US$6.6bn. In fact, Venezuela's liquid reserves were "exhausted" by the time the new Government took over on February 2, according to President Carlos Andrés Perez.

In 1987, the Venezuelan government began selling gold mined in the state of Bolivar to raise cash, and this week's shipment forms part of a general plan to increase government revenue through gold sales and through loans backed by future gold deliveries.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices rose sharply on the LME yesterday, boosted by news that 12,200 tonnes of Zambian copper is currently stacked in Dar es Salaam, which confirmed earlier market rumours of a hold-up in supplies of African material. The premium for cash metal widened to £146.50 from Tuesday's £82 a tonne. Three-month metal failed to breach the $2,950 a tonne resistance point, although some analysts are looking for a movement towards $3,000 a tonne. Coffee prices also advanced, with speculative buying and steady New York prices underpinning sentiment in spite of the lack of progress at the International Coffee Organisation talks on the future of the coffee agreement, where Brazil attacked consumer proposals for a universal export quota. Dealers said the market's fundamental picture was constructive.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.30-4.45q	-0.15
Brent Blend	$16.65-6.70z	-0.15
W.T.I. (1 pm est)	$17.67-7.72q	-0.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	-1
Gas Oil	$139-140	-2
Heavy Fuel Oil	$75-77	-2
Naphtha	$164-166	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$386.25	+3.00
Silver (per troy oz)♣	586c	+2
Platinum (per troy oz)	$540.50	-0.15
Palladium (per troy oz)	$144.25	+1.25
Aluminium (free market)	$2235	+50
Copper (US Producer)	135¾-142c	+2
Lead (US Producer)	38.5c	
Nickel (free market)	860c	+10
Tin (European free market)	£4640	+55
Tin (Kuala Lumpur market)	21.74r	+0.12
Tin (New York)	370.0c	+1.5
Zinc (US Prime Western)	82¾c	
Cattle (live weight)†	108.15p	+2.05*
Sheep (dead weight)†	146.58p	+11.6*
Pigs (live weight)†	78.97p	-0.58*
London daily sugar (raw)	$265.4u	-8.4
London daily sugar (white)	$311u	-5
Tate and Lyle export price	£274	-4
Barley (English feed)	£114z	
Maize (US No. 3 yellow)	£130.0	+0.5
Wheat (US Dark Northern)	£122.0v	+0.5
Rubber (spot)♥	57.50p	+1.25
Rubber (Apr)♥	67.00p	+0.25
Rubber (May)♥	67.50p	
Rubber (KL RSS No 1 Mar)	302.5m	-3.0
Coconut oil (Philippines)§	$530x	+5
Palm Oil (Malaysian)§	$402z	
Copra (Philippines)§	$350z	
Soyabeans (US)	$188.5x	+1.0
Cotton "A" index	62.35c	+1.00
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	841	848	846	835
May	864	862	867	854
Jul	866	867	868	857
Sep	885	885	885	859
Dec	883	882	884	876
Mar	874	875	876	870
May	874	873	877	871

Turnover: 7405 (5055) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 21: 1136.50 (1133.46); 10 day average for Feb 22: 1139.82 (1138.82).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1150	1140	1164	1136
May	1131	1115	1131	1106
Jly	1101	1083	1102	1077
Sep	1077	1068	1077	1060
Nov	1065	1061	1070	1051
Jan	1061	1062	1065	1053
Mar	1060	1060	1055	1042

Turnover: 4887 (2274) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 21: Comp. daily 113.91 (116.39); 15 day average 119.11 (118.66).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	263.00	253.60	258.00	249.00
May	257.80	258.80	261.40	253.80
Aug	257.40	258.80	261.00	254.00
Oct	253.00	254.40	256.00	250.20
Dec	250.00	254.00	250.00	
Mar	248.00	250.00		
White	**Close**	**Previous**	**High/Low**	
Mar	304.00	305.50	307.00	303.00
May	310.00	309.00	312.00	307.00
Aug	298.50	297.00	296.00	295.00
Oct	298.00	293.50		
Dec	288.00	289.00	288.00	
May	288.00	287.00	288.00	

Turnover: Raw 5097 (4646) lots of 50 tonnes. White 1749 (1032).
Paris- White (FFr per tonne): May 1925, Aug 1955, Oct 1881, Dec 1855, Mar 1845, May 1845.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,525 tonne
Cash	2225-35	2205-15		2238/2235	2226-42	
3 months	2160-5	2170-5	2210/2175	2195-200	2190-5	28,319 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,400 tonne
Cash	1836-42	1736-8	1840/1807	1835-40		
3 months	1693-4	1643-4	1702/1665	1691-2	1682-3	84,810 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	591-4	592-5		593-5		
3 months	604-7	605-8		605-8		343 lots
Lead (£ per tonne)						Ring turnover 3,700 tonne
Cash	351-2	347.5-8.5	352.5/352	351.5-2		
3 months	357-8	355-6	359/356	357-8	355-7	9,955 lots
Nickel ($ per tonne)						Ring turnover 1,194 tonne
Cash	18000-100	18550-600	19100	18000-100		
3 months	16575-600	16500-50	16700/16500	16700-50	16400-500	6,155 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 6,800 tonne
Cash	2050-5	2065-75		2075-85		
3 months	1940-5	1955-60	1960/1930	1940-50	1950-60	5,550 lots
Zinc ($ per tonne)						Ring turnover 12,675 tonne
Cash	2015-20	2015-25		2040-50		
3 months	1895-900	1905-8	1920/1890	1915-25	1905-10	12,037 lots

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2100	139	156	2	47
2200	55	101	17	89
2300	11	60	73	145
Copper (Grade A)	**Calls**		**Puts**	
2800	338	247	1	86
3000	153	141	15	177
3200	37	73	98	305

WOOL

The sudden drop in the Australian dollar played havoc with the wool trade around the world late last week. Confusion persists if less dramatically this week. The wool market has to some extent offset the currency factor and prices have been rising gradually at this week's Australian sales. In addition, softness in sterling has played a part in the UK. While world demand for wool is matching Australian offerings New Zealand wool board purchases have been appreciably higher. The UK situation is still unhappy, with new business very slow so far this year and prices varied and intensely competitive. There are still sectors and individual firms well placed compared with the overall picture, however. 58s super are quoted around 445p a kg.

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	83.7	83.3	83.7	82.5
May	77.4	78.5	77.4	75.9
Nov	90.0	90.0		
Feb	101.5	102.0		
Apr	129.8	129.7	129.5	129.0

Turnover 412 (195) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	154.80	154.00	155.50	154.50
Jun	146.20	146.00	146.50	
Aug	144.50	143.50	144.50	

Turnover 165 (94) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Feb	1527	1515	1527	
Mar	1610	1601	1625	1580
Apr	1670	1649	1676	1634
Jul	1480	1460	1475	1440
Oct	1565	1570	1590	1565
Jan	1600	1595	1600	1595
Apr	1625	1595	1625	
BFI	1512	1506		

Turnover 725 (219)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	112.25	111.55	112.35	112.00
May	116.20	115.55	116.20	115.80
Jun	118.05	117.55	118.05	117.95
Sep	104.20	104.25	104.35	104.20
Nov	106.40	106.50	106.40	
Barley	**Close**	**Previous**	**High/Low**	
Mar	109.10	108.05	109.25	108.90
May	111.65	111.00	111.75	111.25
Sep	100.85	100.85	100.85	
Nov	104.00	104.00	104.00	

Turnover: Wheat 215 (547), Barley 33 (472).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	386-386½	221-221½
Opening	385¾-386	220¾-221¼
Morning fix	386	221.077
Afternoon fix	386.75	221.508
Day's high	387-387½	
Day's low	385¾-386	
Coins	**$ price**	**£ equivalent**
Maple leaf	397-402	227-230
Britannia	397-402	227-230
US Eagle	397-402	227-230
Angel	397-402	227-230
Krugerrand	385-388	220-222
New Sov.	90¾-91¾	52-52½
Old Sov.	90¾-91¾	52-52½
Noble Plat	546.05-555.15	312.65-318.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	340.70	594.85
3 months	351.30	608.65
6 months	362.60	622.95
12 months	383.45	654.30

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Apr	16.13	16.26	16.15	16.02
May	15.79	15.95	15.81	15.70
IPE index	16.28	16.24		

Turnover: 5060 (3998)

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	139.75	141.50	140.25	139.00
Apr	138.50	140.00	139.00	138.00
May	137.00	137.50	137.00	136.00
Jun	136.75	136.75	136.25	135.00
Jul	137.00	136.00	136.50	136.00
Aug	140.00	140.00		
Sep	140.50	142.75	139.00	
Oct	142.00	145.00	142.00	
Nov	144.00	147.50	140.00	

Turnover 5799 (5928) lots of 100 tonnes

US MARKETS

IN THE metals, gold prices rose slightly on news of higher consumer prices, reports Drexel Burnham Lambert. Copper futures posted strong gains again, climbing 400 points basis March. Expectations of heavy rains in Peru which would slow production; was noted. Silver prices were steady with switch activity seen throughout the day. In the softs, cocoa futures featured arbitrage and commission selling against scattered short covering. Sugar trading was choppy before prices finished higher on the day. Short covering pushed coffee higher. The meats all had a mixed day with pork bellies slipping due mostly to the record amount in storage. An out of town storage report gave the market some support. In the grains, prices were higher in all markets with the soy complexgaining the most on commercial buying. Corn prices firmed but did not have the heavy buyers as in the soybeans. Wheat futures closed steady despite the late sell-off by commercials.The energy complex gained on light volume with mostly local activity.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	386.9	385.9	388.0	386.0
Mar	389.5	387.7	0	0
Apr	390.2	389.4	391.5	389.4
Jun	395.2	394.3	396.4	394.3
Aug	400.8	399.9	401.2	400.6
Oct	406.5	405.5	406.5	406.0
Dec	412.1	411.0	412.2	411.1
Feb	386.9	385.9	388.0	386.0
Apr	423.7	422.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	542.6	543.2	545.6	545.6
Mar	541.6	542.2	0	0
Apr	539.1	540.2	544.5	534.5
Jul	537.1	538.2	542.0	533.5
Oct	537.1	538.2	541.5	534.0
Jan	538.1	539.2	540.0	536.0
Apr	539.1	540.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	142.00	137.00	142.10	138.50
Mar	138.60	134.50	139.00	134.80
Apr	134.00	131.10	0	0
May	128.25	126.00	128.60	126.40
Jul	122.00	119.00	122.50	119.00
Sep	118.00	115.50	118.00	115.80
Dec	113.80	111.50	113.90	111.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	17.80	17.63	17.84	17.53
May	17.34	17.14	17.38	17.08
Jun	17.10	16.87	17.12	16.83
Jul	16.89	16.68	16.89	16.60
Aug	16.69	16.43	16.69	16.46
Sep	16.53	16.28	16.53	16.35
Oct	16.41	16.19	16.41	16.19
Nov	16.30	16.14	16.30	16.20
Dec	16.35	16.10	16.35	16.20
Jan	16.10	16.06	16.10	16.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5005	4892	5010	4895
Apr	4815	4717	4820	4725
May	4665	4568	4665	4590
Jun	4575	4505	4575	4505
Jul	4525	4465	4525	4470
Sep	4610	4573	4610	4560

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1604	1613	1615	1590
May	1504	1492	1518	1471
Jul	1460	1450	1474	1435
Sep	1430	1414	1435	1404
Dec	1406	1389	1409	1387
Mar	1405	1395	1395	1395

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	127.91	126.00	128.00	125.60
May	125.04	124.25	126.00	123.70
Jul	122.13	121.89	123.30	121.50
Sep	120.00	120.25	121.20	119.75
Dec	119.00	119.18	119.50	118.50
Mar	120.38	120.13	118.50	118.00
May	119.25	119.80	0	0
Jul	119.60	119.12	122.00	122.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	11.40	11.33	11.52	11.16
May	11.61	11.55	11.73	11.36
Jul	11.58	11.58	11.68	11.35
Oct	11.38	11.39	11.48	11.18
Jan	10.73	10.79	0	0
Mar	10.95	10.97	11.09	10.88
May	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 21	Feb 20	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	756/0	746/4	757/4	743/0
May	767/4	758/4	769/4	754/4
Jul	776/0	766/0	777/4	763/0
Aug	771/4	763/0	772/0	758/4
Sep	744/4	740/2	749/0	738/2
Nov	732/2	727/2	735/4	726/0
Jan	739/0	734/0	741/0	734/0
Mar	747/0	739/0	749/0	742/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.94	22.57	22.98	22.45
May	23.52	23.15	23.55	23.03
Jul	24.15	23.71	24.20	23.60
Aug	24.35	23.85	24.45	23.85
Sep	24.67	24.15	24.70	24.10
Oct	24.75	24.30	24.75	24.20
Dec	24.95	24.40	24.95	24.30
Jan	24.95	24.50	24.95	24.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	239.2	237.2	240.0	234.6
May	236.7	234.7	237.8	232.5
Jul	233.2	231.1	234.0	229.5
Aug	230.0	227.0	231.5	227.0
Sep	226.5	224.0	227.0	224.0
Oct	221.0	220.0	223.0	219.0
Dec	219.7	218.0	221.0	218.0
Jan	220.0	217.7	220.5	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	273/2	269/6	273/4	269/4
May	279/6	276/4	280/2	276/0
Jul	283/2	280/4	284/0	279/6
Sep	274/4	271/6	274/4	270/6
Dec	270/2	269/4	270/4	267/6
Mar	276/6	276/6	276/6	274/4
May	279/4	279/2	279/4	278/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	426/2	425/0	423/0	426/0
May	426/2	423/6	428/4	426/0
Jul	400/2	399/6	403/0	400/0
Sep	407/0	406/0	409/6	407/0
Dec	419/4	418/4	421/2	419/0
Mar	424/0	423/0	424/0	424/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.70	77.75	77.90	77.52
Jun	75.27	75.25	75.45	75.12
Aug	72.86	72.30	72.95	72.70
Sep	72.50	72.75	0	72.50
Oct	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Worries over interest rate prospects

THE SPECTRE of a rise in UK interest rates suddenly reappeared in the London equity market yesterday in the wake of a falling pound and signs of inflationary pressures in the US. A stock market fuelled since the turn of the year by hopes that domestic rates had peaked and might soon turn lower, went into reverse as institutional buyers backed away. The fall gathered pace as Wall Street made a weak start after Mr Alan Greenspan, the chairman of the Federal Reserve, described the 0.6 per cent rise in US consumer prices in January as "disturbing".

The fall in sterling was bad news for the London market which relies on a firm pound to enable the UK authorities to cut domestic interest rates, perhaps even [illegible] Budget Day, March 14. "The dip in sterling has finally killed misplaced hopes for a cut in base rates," commented Mr Bill Smith at Prudential-Bache. At Schroder Securities, Mr Robin Aspinall was even more damning. "A couple of weeks ago I said sterling was on the brink of a mini-crisis. Yesterday it began".

Equities opened lower but staged a technical rally at mid-morning helped by the stock futures market, where the FT-SE Index contract remained around a 20 point premium. However, the market sagged away as Wall Street came in on the downside and UK buyers backed off.

At the close, the FT-SE Index was down 27.3 points at 2033.7. Analysts commented that the market is still only 3.4 per cent off its trading peak, and expressed doubts over the near term outlook. Some chart analysts speak of "strong support" around FT-SE 1960, but fear a fall to around 1920. There is no doubt that any sign of higher interest rates would mean a significant recasting of City forecasts on all fronts.

Turnover remained moderate by recent standards, with Seaq volume of 551.6m shares comparing with 543.3m in the previous session. Stock Exchange statistics for this week indicate that retail interest has remained high, showing daily totals above the £1bn mark.

The equity market still awaits the introduction of the second move phase in changed trading reporting systems. Today sees the testing of software intended to blank out price reporting on share deals worth more than £100,000: the changes will be put into effect on Monday, according to the Stock Exchange.

The market is likely to take its lead today from the trading report from ICI, a weak spot yesterday despite sterling's weakness. Consolidated Gold Fields were a shade easier, still awaiting the boardroom defence against Minorco's latest £3.2bn offer. RTZ advanced smartly against the trend when institutional buyers caught the market by surprise.

Account Dealing Dates

First Declarations:	Feb 13	Feb 27	Mar 13
Option Declarations:	Feb 23	Mar 9	Mar 30
Last Dealings:	Feb 24	Mar 10	Mar31
Account Day:	Mar 6	Mar 20	Apr 10

New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Feb. 22	Feb. 21	Feb. 20	Feb. 17	Feb. 16	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.31	88.78	89.04	89.08	89.15	89.78	91.45 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.54	93.48	93.53	95.55	97.80	96.38	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1673.7	1686.0	1696.9	1679.1	1687.2	1417.0	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	162.4	158.7	157.2	154.7	159.4	254.8	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.38	4.33	4.28	4.33	4.36	4.44
Earning Yld %(full)	10.88	10.82	10.67	10.79	10.87	10.87
P/E Ratio(Net)(*)	11.13	11.11	11.39	11.26	11.18	11.35
SEAQ Bargains(5pm)	30,349	31,635	29,459	28,256	25,964	22,968
Equity Turnover(£m)†	-	1234.42	1067.97	1129.03	1491.87	961.47
Equity Bargains†	-	35,088	32,031	28,481	28,113	25,869
Shares Traded (ml)†	-	510.3	437.3	464.5	655.3	359.2

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1691.0	1686.0	1691.1	1691.2	1690.4	1687.9	1688.5	1676.9

DAY'S HIGH 1691.5 DAY'S LOW 1673.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.06 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Feb.21	Feb.20
Gilt Edged Bargains	103.9	99.5
Equity Bargains	227.4	207.5
Equity Value	2495.1	2199.1
5–Day average		
Gilt Edged Bargains	98.9	98.7
Equity Bargains	195.1	190.3
Equity Value	2438.8	2509.1

● London Report and latest Share Index: Tel. 0898 123001

Food retailing caution

Shares in food retailer J Sainsbury wilted under strong selling pressure in early trading after Warburg Securities reduced its 1989/90 profits forecasts for the supermarket group by £5m to £400m. Although the size of the downgrading was not exceptional, it follows a similar move by Hoare Govett on Monday, and comes against the background of a more cautious view of food retailing being adopted by Warburgs and a number of other securities houses.

Mr Keith Waite of Warburgs blamed a number of factors for his firm's bearish stance on the sector, including recent high wage settlements such as the 9 per cent deal at Tesco, the worsening consumer background, the impact, admittedly slight so far, of the food scare on sales, and the fact that there is a limit to which margins can be pushed ahead. "Also, the rates of productivity improvements enjoyed by the grocers in recent years look set to slow down," said Mr Waite. After a busy day, Sainsbury closed 10 weaker at 224p as turnover reached the exceptionally high figure of 9.8m shares.

Wellcome doubts

Doubts about the short-term outlook for sales of Retrovir, Wellcome's anti-Aids drug, continued to depress the shares, which fell 21 to 451p after turnover of 2.1m. The latest addition to the ranks of the bears was BZW, whose well-respected team of pharmaceuticals analysts said that Retrovir sales for the year will be £135m.

That forecast came just a day after another broker had cut its forecast to £150m. But there are some researchers of the stock who have not changed their £200m plus projections. BZW also pulled down its pre-tax profits forecast to £300m for 1989, although the team there still thinks Wellcome is good in the longer term.

Resilient Reckitt

Reckitt and Colman shares were among the best performers in a weak market, buoyed by a bullish note from Warburg Securities. The shares rose 9 to 1046p on turnover of just under 1m. The shares are frequently overlooked, said Mr David Grogan, a Warburg analyst. "They have grown in line with the market and are now likely to outpace it." The full year results are due in April and investors should look for £153m pre-tax profits.

Mr Grogan predicted 14 per cent growth on top of that for the current year. The improvement will come from a mixture of organic growth, strong cash flow and margin gains. If acquisitions are slotted in, his figure will look distinctly conservative, he said.

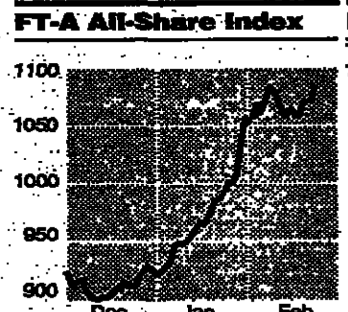
Likely acquisition targets for Reckitt include toiletries in Europe, household goods in both the US and Europe, small food businesses in the US and, if it can find them, small pharmaceutical marketing operations, suggested Mr Grogan.

ICI fell 16 to 1165p ahead of full year results due today. BZW, which has recommended taking profits before the figures, is forecasting in a narrow range between £1.48bn and £1.485bn with a dividend of 28p per share. "If it is 29p, it will be a nice surprise," said a dealer.

Cookson lost 12 to 307p as it lifted its stake in Johnson Matthey (up 4 at 349p) to just over 8 per cent. Charter Consolidated has 38% of Johnson Matthey and Cookson's move was seen as an attempt to maintain a strategic stake in a possible bid target. Johnson Matthey convertible cumulative preference shares are set to dilute the stakes of existing shareholders. Charter Consolidated slipped a penny to 475p.

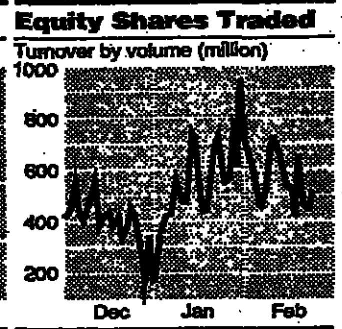
A number of bearish factors – among them a downgrading by Shearson Lehman Hutton, the US securities house – unsettled British Gas shares which dipped 2 to 171¾p. Turnover in Gas shares expanded rapidly and settled at 15m, well above recent levels.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Mr Jeremy Hudson of Shearson Lehman has downgraded Gas. He says the risk of an oil price collapse has receded and consequently reduced the defensive attractions of British Gas stock.

Shell eased a few pence to 373p on turnover of 2.7m with brokers still divided on the chances of an increased final dividend from the company. Ultramar moved against the rest of the sector, edging up 2 to 294p on turnover of 3m.

The banks sector was given a severe buffeting with NatWest especially hit by persistent selling pressure and "switching" operations after announcing the acquisition of US bank Ultra Bancorporation for $282m.

The fall in the shares came despite the preliminary figures issued on Tuesday. These were regarded by dealers and analysts, and generally by the Press, as better than expected but failed to elicit any worthwhile buying interest.

NatWest settled a net 16½ lower at 601p on a bigger than usual turnover of 5.4m.

Lloyds, scheduled to report on Friday, outperformed the rest of the banks, touching 376p at one point but subsequently dipping to close little changed on the session at 372p; turnover was 2m. Dealers said there was big support for the shares especially from one of the leading agency brokers. Midland, reporting today – estimates of pre-tax profits range from £655m to £745m, dropped to 460p, before closing a net 12 down at 463p. Barclays eased 7 to 452p on 1.2m.

Magnet, the Yorkshire-based kitchens and bedroom furniture retailing group, moved substantially higher with dealers saying details of the proposed management buyout are imminent and could well trigger a bid battle possibly involving Woolworth or Ladbroke. Magnet shares put on 8 to 305p with dealers still talking of stake-building by other potential bidders.

Stores leader Marks & Spencer dropped 4 to 163½p on turnover of 6m shares after downgradings from Morgan Stanley and BZW.

Mr Nick Bubb of Morgan Stanley lowered his forecast for 1989 profits by £10m to £520m, while Mr Steven Oldfield of BZW brought his down by £5m to £535m. Mr Bubb, who met the company on Tuesday, blamed "the general food problems and the fact that M&S are not immune to problems of clothing retailing," for his move, whereas Mr Oldfield listed worries about the group's ability to generate volume in the poor retail market and the damage to sentiment from its expansion in overseas markets.

There was plenty of action in the electronics sector, especially in Plessey which closed a fraction harder at 258p on turnover of 3.3m. A report that the company had reached agreement with Plessey's Sir John Clark on a 275p a share was described by Plessey as "laughable" and dealers and analysts were more intrigued by news that Guardian Royal Exchange had reduced its stake in Plessey by more than 8m shares (1.09 per cent) to 40.87m (8.18 per cent).

Analysts said the shares had been sold over a period of time - certainly not in any major lumps or in a short period of time. But there were some raised eyebrows as to the timing of the GRE sales of Plessey - "It does seem likely that GEC/Siemens will up their bid in April given a Monopolies go-ahead." sain one analyst.

BICC were again upset by the recent adverse publicity given to its Balfour Beatty subsidiary and lost 8 more to 443p.

Talk that America's IBM is about to reduce its selling prices for personal computers was said by traders to have been responsible for the latest slide in Amstrad's share price, which dropped 8 more to 147p on turnover of 4.3m.

Trading in Rolls Royce was brisk in the wake of reported Japanese interest overnight and talk of a bullish circular from Robert Fleming Securities. The shares held up in a weak session, closing at 175p, up 3 on the day but 2 off the mid-session peak. Turnover was 16m.

Mr Piers Whitehead, a Flemings analyst pitched his pre-tax forecast to the end of 1989 at £241m, compared with a market range of £170m to £227m. Although this year's results will be depressed by an exceptional item of £30m, said Mr Whitehead, he believes the company has become increasingly successful at selling engines to new customers.

Among lacklustre Foods Argyll Group slumped 6 to 184p as Warburg Securities knocked its year-end 1990 profits forecast down by £7m to £233m. Tesco, down 5 at 156p, were a surprise faller, given that several houses have advised switching into the stock from other retailers.

Bassett Foods fell 3 to 564p as Swedish suitor Procordia withdrew its bid, leaving agreed bidder Cadbury Schweppes (down 4 at 357p) a clear run. Dealers speculated that Procordia will now sell its 10 per cent stake to Cadbury and use the money to make a play for another UK confectionery maker. Thorntons Chocolates (156p) was mentioned as a possible target.

Geest stood its ground well and closed 4 better at 272p on talk that the Kuwait Investment Office, which has been gradually reducing its stake in recent months, had sold its remaining 1 per cent holding.

Frogmore Estates fell 7 to 504p amid talk that Australian entrepreneur Mr John Spalvin's UK operation Markheath Securities (78p) was about to sell its 16 per cent stake in Frogmore. Most property stocks fell with the market. Local London were 5 firmer at 546p on the back of the £111m bid from Priest Marians (5 easier at 434p, after 446p).

Jacksons Bourne End leapt 21 to 168p when unquoted Vasella bought 67 per cent of the equity at 150p triggering a mandatory bid which valued Jacksons at £12.75m.

USM-quoted Just Rubber rose 9 to 97p after a series of small buy orders from regional brokers.

Bowater slid 11 to 459p during the day on news of its £45m disposal of a West German subsidiary. The buyer, P&O, lost 18 to 665p.

Appleyard rescued the motor sector from a humdrum day, owing largely to support aroused by a circular from brokers Panmure Gordon. "The shares (up 12 at 439p yesterday) should be accumulated," say analysts Mr Peter Whiting and Mr David Banks, for since November they have underperformed the sector and the market by considerable margins.

Reed International regained some of Tuesday's fall before easing late to close little changed at 433p as word went round of a possible development in the trading Account starting next Monday. A bid for the group was ruled out and market speculation leaned towards Reed utilizing its sizeable cash resources by making a large acquisition, probably in the publishing field.

Although favoured by Kleinwort Benson, BAT Industries were unable to resist the general trend and the adverse effects of a stronger dollar. They fell 11 to 546p.

A national newspaper report of Toyota executives examining potential sites for a new factory in the UK directed buying interest towards Inchcape, which holds the distribution rights for Toyota cars in Britain and three other European countries.

The expiry of individual stocks options touching February coloured dealings in traded options . Cadbury, Plessey, RTZ and Racal all fell in this category. It was left to British Gas, the nearest expiry in which is March, however, to draw the major share of attention. Dealings in it came to 5,799 contracts, of which 2,351 were call and 3,448 put, as the underlying price lost a little ground. Overall dealings amounted to 48,598 contracts, of which 32,428 were call. Index trading totalled 7,168, of which 4,097 were calls.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,900	146½	-1½	Commercial Union	1,000	388	[illegible]
Allied-Lyons	4,300	478	-8	Cons. Gold Fields	628	1458	[illegible]
Amstrad	4,300	147	-8	Cookson	1,309	307	[illegible]
Argyll Group	3,100	184	-6	Courtaulds	588	305	[illegible]
Ass. Brit. Foods	61	350	-2	Dalgety	2,300	353	[illegible]
BAA	866	305	-3	Dixons	3,100	151	[illegible]
BAT	1,300	544	-13	Eng. China Clays	641	510	[illegible]
BET	542	253	-5	Enterprise Oil	818	534½	[illegible]
BICC	2,300	443	-8	FKI Babcock	3,000	157	-4
BOC	487	485	-2	Fisons	4,200	279	-3
BPB Inds.	2,000	246	-8	Gateway Corp.	2,900	166	-2
BTR	3,610	333	-2	General Accident	1,300	950	-8
Barclays	1,200	452	-7	General Elect.	5,300	229	-4½
Bass	909	962	+7	Glaxo	2,000	1251	-9
Beazer	200	289	-4	Globe Inv.	445	163	-1
Beecham	2,400	570	-12	Glynwed Int.	1,200	323	-12
Blue Arrow	5,800	92		Granada	1,400	357½	-7½
Blue Circle	1,200	523	-7	Grand Met.	1,600	526	-4
Boots	560	259	-2	GUS A	419	1113	-15
British Airways	2,700	191	-1	GRE	885	211	-4
Brit. Aerospace	1,700	516	-6	GKN	327	360	-5
Brit & Comm.	3,000	238	-3	Guinness	2,550	404	-10
British Gas	15,000	171¾	-2	Hammerson "A"	9	803	-2
British Land	183	345	-3	Hanson	4,700	176¼	-3
BP	3,600	272	-2	Harrisons & Cros.	1,300	723	
British Steel	30,925	79½	-1	Hawker Siddeley	499	653	-5
British Telecom	2,200	274½	-5½	Hillsdown Hldgs.	3,600	285½	-2½
Burmah Oil	854	543	-1	IMI	1,000	225	-6
Burton	909	202	-3	Imp. Chem	1,700	1165	-16
Cable & Wireless	1,900	421	-9	Inchcape	2,700	255	+6
Cadbury Schweppes	3,200	357	-4	Jaguar	686	303	-2
Coats Viyella	3,090	156	-3	Ladbroke	1,380	533	-7

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MEPC	221	562	-4	Shell Transport	3,100	372	-9
Marks & Spencer	6,000	163½	-4	Siebe	337	474	-5
Maxwell Comm.	878	216	-2	Slough Ests	203	326	-2
Midland Bank	1,800	462	-13	Smith & Nephew	746	131¼	-2
Nat. West. Bank	5,400	601	-16½	Standard Chartd.	432	535	-14
Next	2,100	253½	-1½	Storehouse	3,000	168	+½
Northern Foods	403	297	-2	Sun Alliance	471	1095	+4
Pearson	139	701		T&N	119	209	-2
Pearl	1,800	415	-3	TSB	1,500	121¼	-1
P & O	1,300	665	-18	Tarmac	2,100	282	-12
Pilkington	2,200	236	-5	Tate & Lyle	498	234	-3
Plessey	3,300	258	+1	Tesco	2,200	156	-5
Polly Peck Intl.	1,000	325	-9	THORN EMI	574	711	-9
Prudential	1,495	169	-1½	Trafalgar House	725	344	-8
Racal	7,200	351½	+½	Trusthouse Forte	4,600	283	-3
Rank Org.	197	898	-12	Ultramar	2,985	294	+2
RMC	346	603	-3	Unilever	1,300	552	-9
RHM	1,200	379	-2	United Biscuits	844	327	-2
Reckitt & Colman	916	1046	+9	Utd. Newspapers	438	441	-14
Redland	906	510	-6	Wellcome	2,050	451	-21
Reed International	2,200	432		Whitbread "A"	572	330	-10
Reuters "B"	1,100	635	-10	Williams Hldgs.	662	266	-7
RTZ	3,900	527	+10	Wimpey	554	286	-4
Rolls Royce	16,000	175	+3	Woolworth Hldgs	1,400	270	-4

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (134). AMERICANS (8) Abbot Labs., Chase Manhattan, Lowe's, Pacific Telesis, Sea Co. Inc., BANKS (3) Allied Irish, Bank Ireland, BREWERS (4) Bass, Clark (M.), Highland Dist., Wolv. & Dudley, BUILDINGS (12) CRH, Costain, Galliford, Gleeson (M.J.), Howden Group, Latham (J.), Lovell (Y.J.), Magnet, Marshalls Halifax, Redland Cap., CHEMICALS (6) Fosaco, Novo Inds., Rentokil, Yorkshire Chem., STORES (3) Aquascutum "A", Ltd. Inc., Wyevale Garden Centres, ELECTRICALS (18) ASEA AB "A", Eurocopy, Eurotherm Int'l., JSB Elect., Logica, MYL Inst., Molynx, Nth. Telecom, Penny & Giles Int'l., Plessey, Racal Electronics, Toshiba, Vistec, ENGINEERING (4) BM Grp., Howden Grp., Rolls Royce, Wagon Ind'l., FOODS (2) Low (Wm.), Wardell Roberts, INDUSTRIALS (23) AAH, Allied Part., BBS, Bridgend Grp., Bumdene, Cape Inds., Cathy Pac., Christies Int'l., Dawsongroup, Electrolux, Elkem AS, Emhart, Grampian Hldgs., Jackson Bourne, Jardine Hldgs., Jardine Strgt., Just Rubber, Lilleshall, Marling Inds., Rauma-Repola, Security Servs., Sthn. Bus. Grp., Stormgard, INSURANCE (4) Aon Corp., Steel Burrill J.; Trade Indemnity, Utd. Friendly "B", LEISURE (11) MOTORS (2) Central Motor Aucts., Volvo, NEWSPAPERS (8) Barbour Index, Blenheim Exhibits., Gardner (D.C.), Independent, Musterlin, PAPERS (4) Aspen Comms., Colorgraphic, WPP Grp., Waddington (J.), PROPERTY (6) SHIPPING (3) TRUSTS (20) OILS (8) Barrack Engergy, Norsk Hydro, Sovereign Oil, OVERSEAS TRADERS (2) Sime Darby, MINES (2) De Beers Df., Rus. Plat.

NEW LOWS (12). LOANS (1) N'wide Anglia 12⅞pc 28.1.90, CANADIANS (1) Danbus Memory, ELECTRICALS (1) Cray Electronic, FOODS (2) Carr's Milling, Daniels (S.), INDUSTRIALS (1) De La Rue, INSURANCE (1) PWS, PROPERTY (1) Key City Prop., TEXTILES (1) Haggas (John), MINES (2) Greenwich Res., Paringa Mines, THIRD MARKET (1) Caldwell Inv.

APPOINTMENTS

TI Group subsidiary changes

■ TI GROUP has appointed Mr Joe Carr as planning and business development director of John Crane International. Mr John Henry, president, heat treatment, becomes president, thermal technology, responsible for all the businesses of Abar Ipsen and the retained businesses of Thermal Scientific. Mr Norman Askew becomes business development director of the specialised engineering and specialised tube companies, retaining responsibility for TI International and the TI Tyseley site.

■ Mr Robin Clarke has been appointed sales and marketing director of INTERNATIONAL FACTORS, a subsidiary of Lloyds Bank.

■ Mr Paul Birch has been appointed to the main board of THE SCOTTISH METROPOLITAN PROPERTY, which he joined in 1982.

■ THE INSTITUTE OF WELSH AFFAIRS has appointed Mr Colin Hughes Davies, chairman of a Cardiff property and investment company, as its director general. The institute's secretariat is based in the Cardiff Business School.

THE RANK ORGANISATION has appointed Mr John Murphy, (above) managing director of Rank Amusements, as managing director of Haven Leisure. He is succeeded by Mr Jeffrey Cohen, currently operations director of Top Rank Clubs. Both appointments are from March 15.

■ CHANNEL EXPRESS GROUP has appointed Mr Stephen Barker as a non-executive director. He is chairman and chief executive designate of Glamar Group.

■ Mr John Robinson has been appointed executive chairman of the HAFFENDEN MOULDING COMPANY, incorporating Haffenden Rubber, and Rootes Plastics. The company is part of the Melton Medes group. He was managing director of Petersfield Plastics, another group company. Mr Robinson has also been appointed to the board of Blugilt, holding company for the four Melton Medes industrial divisions.

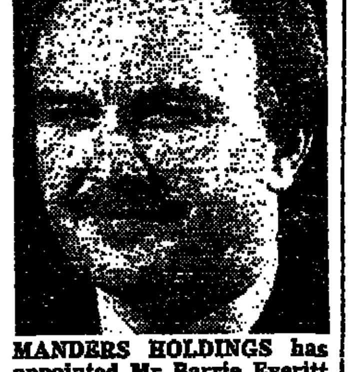
■ CCL GROUP has appointed Mr William E. Drake as a non-executive director. He is director in charge of the securities department at Granville & Co., CCL's financial advisers.

■ FERRANTI INSTRUMENTATION has made the following appointments: Mr Neil Forbes to military operations director; Mr Brian Thrussell to military sales and marketing manager, a new post; Mr Bruce Calveley to Moston manufacturing division director; and Mr Rod Muttram to engineering and quality director.

■ Following its acquisition by China Merchants Holdings Group, FURNESS-HOULDER (INSURANCE) has formed a new subsidiary, Furness-Houlder Insurance Services (International), based in London, to generate non-marine business from the US and Australia. Forming the board are: Mr J. Chu, chairman; and Mr W. Collins, Mr J.W. McLaren, Mr E.J. Farrelly, Mr B. Copp (Australia & Far East), and Mr D. Bye (US) as directors. The group has formed a holding company, Furness-Houlder (Europe), based in Holland. The UK directors are Mr Chu, chairman and managing director, Mr Collins and Mr McLaren. In Pireaus, Furness-Houlder (Greece) Inc has been formed, with Mr Chu as chairman, and Mr Collins, Mr Stratis Porfyratos, Mr Leonard Louloudis, and Mr P. Purdie as directors.

■ MI GROUP has appointed Mr Robert Warrick as a director of MI Independent Intermediaries.

■ MARSTON, THOMPSON & EVERSHED, Burton brewers, has appointed Mr David Gordon as assistant managing director from June. He is Whitbread Inns director for Northern England.



MANDERS HOLDINGS has appointed Mr Barrie Everitt (above) as managing director of Mander-Domolac, the industrial coatings division, and Mr Jack Singh succeeds him as financial director of Mander-Kidd (UK). Mr Singh was financial director of Manders Industrial Coatings.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.98	46.50xd	49.46	+0.14	5.54
Gilts & Fixed Int	6	114.60	114.60	121.70	-0.5	8.22
High Inc Equity	6	129.00	131.10	139.40	-1.00	4.27
Worldwide Bond	6	186.40	186.40	197.60	+1.80	4.91
Capital Growth						
American Growth	6	159.10	161.10xd	171.30	+1.30	1.28
Asian Pacific	6	82.27	82.27	87.99	-0.96	1.23
Assets & Earnings	6	153.60	153.60	164.530	-0.70	2.41
Capital Reserve Acc	0	83.25	83.25	83.28		4.80
Commodity & Energy	6	94.72	94.72	101.40	+1.1	0.00
1992 Enterprise	6	53.26	54.26	57.72	-0.23	3.12
European Capital	6	77.21	77.21	82.58	+0.9	0.91
General	6	168.20	171.40xd	182.30	-1.2	2.47
Japan	6	107.60	108.80	115.70	-2.2	0.00
Mastertrust	6	79.35	79.35	84.87	+0.47	1.73
UK Growth Acc	6	194.60	194.60	208.20	+0.2	1.64
UK Growth Dist	6	130.6	130.6	139.7	+0.1	2.44
US Emerging Cos	6	46.66	48.37	51.45	-0.32	0.00
Income & Growth	6	280.40	286.70	304.90	-2.7	3.12
Ethical	6	47.46	48.65	51.75	-0.11	2.42

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.34	43.34	46.11	+0.41	1.77
Australian	5¼	22.27	22.27	23.69	-0.46	1.22
European	5¼	52.77	52.77	56.14	-0.58	0.00
Extra Income	5	42.09	42.09	44.68	-0.27	4.95
Fund Inv Tst	5	115.5	115.5	122.8	+0.1	2.42
Do Accum	5	176.0	176.0	187.2	+0.1	2.42
Gilt & Fixed Int	5¼	22.02	22.02	23.43	-0.03	10.03
Global Income	5¼	39.36	39.36	41.87	+0.03	4.44
Income & Growth	5¼	71.39	71.39xd	75.95	-0.48	5.81
Japan	5¼	180.0	180.0	191.5	-3.10	0.01
Nth Amer Inc (z)	5	26.66	26.66	29.30	+0.1	3.91
Special Situations	5¼	70.00	70.00	74.47	-0.22	0.99
UK Growth	5	36.06	36.06	38.38	-0.2	2.52
World Gwth	5	45.62	45.62	48.42	+0.42	0.47
Formerly Scottish Funds Management Ltd						
American Majors	5¼	60.71	60.71xd	64.81	+0.35	1.82
Amer Tech & Gro	5¼	102.0	102.0	108.9	-0.2	0.00

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GUIDE TO UNIT TRUST PRICING

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or –	Yield Grs
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Contrib & Equity	5	63.64	66.16	70.39	-0.07	5.77
European	5	57.35	57.93	61.43	+0.34	0.40
Far Eastern	5	54.89	54.92	58.42	+0.36	1.17
Growth	5	87.21	91.35	97.19	-0.37	1.65
Income	5	81.90	83.71	89.05	-0.48	5.74
Property Share	5	54.39	55.39	58.96	+0.04	1.24
Smaller Co's	5	59.31	62.22	66.18	+0.21	1.60
Formerly RMC Trust Managers Ltd						
Windsor Sel Gth Acc ♦	5	63.61	63.61	68.03	-0.36	1.93
Windsor Select Inc ♦	5	68.06	68.06	72.79	-0.31	5.41
Windsor Sel Inc Acc ♦	5	73.05	73.05	78.12	-0.31	5.41
Windsor Gilt Mngr ♦	5	52.17	52.17	55.79	+0.07	1.85
Windsor Intl ♦	5	40.75	40.75	43.58	-0.13	1.47
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	94.26	94.26	98.26		0.90
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield						0484 602250
Yorkshire General	5¼	61.03	63.24	67.28	-0.28	3.10
YUTM UK Equity Inc Tst	5¼	59.74	61.70	65.64	-0.31	4.52
YUTM Intl Groth Tst ♦	5¼	46.33	46.33	49.40	+0.19	1.12

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt Feb 15	1428.8	445.31			
Cent. Bd. of Fin. of Church of England#					
2 Fore Street, London EC2Y 5AQ				01-588 1815	
Inv Fund Jan 31		492.95			4.71
Fxd Int Sec Jan 31		143.75			9.95
Deposit Jan 31		100.00			12.45
Charities Official Invest. Fund##					
2 Fore Street, London EC2Y 5AQ				01-588 1815	
Income Jan 31		464.11			4.97
Accum Jan 31		1500.47			
Edinburgh Fund Mngrs PLC					
Exempt Funds					
American Feb 22	121.5	124.8	+1.7	1.82	

	Bid Price	Offer Price	+ or –	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc.	255.1	268.6	+0.1	–
Equity Acc.	813.0	855.8	+0.7	–
Property Acc.	482.0	507.4	+0.1	–
Far East Acc.	194.5	204.8	–	–
European Acc.	20.0	21.1	+0.2	–
Managed Acc.	643.3	677.2	+0.4	–
Managed Cap.	366.7	386.0	+0.2	–
O'seas Earnings Acc.	544.9	573.6	-0.2	–
Gilt EdgedAcc.	317.0	333.7	-0.3	–
American Equity Acc.	399.9	421.0	+2.6	–
American Man Acc.	186.5	196.4	+1.2	–
American Prop Acc.	135.3	142.5	+1.3	–
Pen.F.I.Dep Cap.	280.5	295.3		–
Pen.F.I.Dep.Acc.	475.8	500.5	+0.1	–
Pen. Prop. Cap.	568.1	598.0	+0.1	–
Pen. Prop. Acc.	1065.1	1119.1	+0.3	–
Pen. Man. Cap.	789.0	830.6	-1.4	–
Pen. Man. Acc.	1476.1	1553.8	-2.5	–
Pen.GiltEdg.Cap.	315.7	332.4	-0.5	–
Pen. Gilt Edg. Acc.	482.6	508.1	-0.8	–
Pen. Eq. Cap.	1290.9	1358.9	-2.6	–
Pen. Eq. Acc.	1830.4	1926.8	-3.5	–
Pen. Am. Eq Cap.	127.3	134.1	+1.0	–
Pen. Am. Eq Acc.	152.1	160.2	+1.2	–
Pen. Far East Cap.	233.8	246.2	+3.8	–
Pen. Far East Acc.	279.5	294.3	+4.7	–
Pen. Euro Cap.	22.9	24.2	+0.2	–
Pen. Euro. Acc.	24.7	26.1	+0.3	–
Pen. B.S. Acc.	518.0	545.0	+0.2	–
Pen. B.S. Cap.	314.1	329.9	+0.1	–
Pen. D.A.F. Acc.	363.7	363.7	+0.1	–
Pen. D.A.F. Cap.	247.6	247.6	+0.1	–
Pen. Mortgage Cap.	140.3	147.7		–
Pen. Mortgage Acc.	167.7	176.6	+0.1	–
Baring Funds				
Pen Eqs Cap.	26.9	28.4	-0.2	–
Pen Eqs Acc.	27.8	29.3	-0.1	–
Pen Am Eq Cap.	28.0	29.5	+0.1	–
Pen Am Eq Acc.	28.8	30.4	+0.2	–
Pen Far East Cap.	28.9	30.5	+0.5	–
Pen Far East Acc.	29.8	31.4	+0.5	–
Pen Euro Cap.	30.5	32.2	+0.3	–
Pen Euro Acc.	31.5	33.2	+0.4	–
Jersey Capel Funds				
Pen Eqs Cap.	28.0	29.5		–
Pen Eqs Acc.	28.8	30.4		–
Pen Am Eq Cap.	28.0	29.5	+0.1	–
Pen Am Eq Acc.	28.8	30.4	+0.1	–
Pen Far East Cap.	28.2	29.7	-0.1	–

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	286.8	301.9	+3.6	–
Man Pens Inc & Cap Fds	373.9	393.5	+6.1	–
Money Fund	117.2	123.4	+0.1	–
Pens Mngd Fd (Init)	100.9	106.3	+1.6	–
Pens Mngd Fd (Acc)	120.1	126.5	+2.0	–
Pens FT30 Fd (Init)	142.5	150.0	+1.6	–
Pens FT30 Fd (Acc)	169.6	178.6	+2.2	–
Pens O'seas Mgd Fd (Init)	70.7	74.5	+0.8	–
Pens O'seas Mgd Fd (Acc)	84.2	88.7	+1.0	–
Pens Fxd Int Fd (Init)	105.7	111.3	-0.3	–
Pens Fxd Int Fd (Acc)	125.8	132.5	-0.3	–
Pens Deposit Fd (Init)	103.4	108.9	+0.1	–
Pens Deposit Fd (Acc)	123.1	129.6	+0.3	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	106.3	112.0	-2.0	–
Building Soc. Fd	168.0	177.0	.....	–
Balanced	272.0	287.0	+1.0	–
Deposit	166.0	175.0	.....	–
European	149.0	157.0	.....	–
GT Managed	172.0	182.0	-1.0	–
Gartmore Mngd	112.0	118.0	.....	–
German	103.0	109.0	.....	–
Gilt	175.0	185.0	.....	–
Global	48.0	51.0	.....	–
High Inc	115.0	122.0	.....	–
International Equity	177.0	187.0	.....	–
Japan	238.0	251.0	+1.0	–
Managed	62.0	66.0	.....	–
Property	276.0	291.0	.....	–
R. W. Imperial Gold	129.0	136.0	.....	–
UK Equity	369.0	389.0	+1.0	–
Pension Funds				
American	130.0	137.0	.....	–
Building Soc. Fd	165.0	174.0	.....	–
Balanced	208.0	219.0	.....	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	532.2	560.3	-1.9	–
Equity	770.8	811.4	-6.1	–
Global Equity	217.3	228.8	+1.5	–
Fixed Interest	399.8	420.9	-2.0	–
Property	374.1	393.8	+0.6	–
Cash	150.8	158.8	+0.1	–
Index Linked Gilt	193.0	203.2	-1.2	–
Guaranteed	11.93		+0.06	–
International Money	193.1	203.3	+0.2	–
North American	58.7	61.8	-0.2	–
Japanese	138.5	145.8	+1.6	–
European	79.2	83.4	+0.4	–
Special Situations	115.6	121.7	-0.9	–
Communications	91.4	96.3	-0.1	–
Smaller Companies	108.2	113.9	+1.5	–
International Small Cos	115.9	122.0	+0.2	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Feb 16	£145.23	150.17	.....	–
Equity Feb 16	£159.19	165.04	.....	–
International Feb 16	£23.42	24.13	.....	–
Intl Bond Feb 16	£11.04	11.18	.....	–
Fixed Int Feb 16	£71.82	72.77	.....	–
Index Linked Feb 16	£59.12	59.86	.....	–
Property Feb 16	£102.89	109.10	.....	–
Cash Feb 16	£20.0762	20.0762	.....	–
Pru-Linked Retirement Plan				
Managed Feb 22	365.2	380.4	+6.9	–
Cash Feb 22	189.4	197.3	+0.3	–
Prudential Pensions Investment Account				
Pens Mngd Feb 22	149.7	157.6	+1.5	–
Pens UK Eq Feb 22	281.8	296.7	+4.9	–
Pens Intl Feb 22	171.0	180.0	+1.7	–
Pens Fixed Feb 22	165.7	174.5	-0.4	–

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Equity	414.0	435.8	-3.2	–
Fixed Interest	225.0	236.9	-0.9	–
International	253.9	266.4	+0.9	–
Property	217.2	228.7	.....	–
Cash	156.9	165.2	.....	–
Index Linked Gilt	129.9	136.8	-0.9	–
Managed	311.7	328.2	-1.3	–
Exempt Eq. Inst.	256.3	269.8	-3.0	–
Do Accum	391.7	412.4	-3.1	–
Exempt Fxd. Int. Init.	172.8	181.9	-0.9	–

Skandia Life Assurance Co Ltd – Contd.

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	217.3	228.7	+0.1	–
Gilt & Fixed Int Fd	151.8	159.8	-0.6	–
Cash Fund	137.0	144.2	+0.2	–
Pensions Managed	103.6	109.1		–
Pensions Cash	105.3	110.8		–

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells 0892 515353

Roxborough Financial Management Ltd
123-125 Curtain Road, London EC2A 3BX 01-739 7117

Rutland Insurance Broking & Inv Grp Ltd

Touche Remnant (Guernsey) Limited
PO Box 208, St. Peter Port, Guernsey 0481 26268

CMI Insurance Co Ltd
Clerical Medical Hse, Douglas I.O.M. 0624 25599

For other Unit Prices phone 0624 25599

JERSEY AUTHORISED

Capital House Fund Mgrs (CI) Ltd

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OTHER OFFSHORE FUNDS

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OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅝	98⅛	Treas 9½pc Cnv 1989	99⅞	.....	9.54	12.58
98⅞	95⅜	Treas 3pc 1989	98⅛	.....	3.04	9.30
102⅝	98⅝	Treas 10½pc 1989	99⅜	.....	10.57	12.53
102	98⅞	Exch 10pc 1989	98⅞	–⅛	10.10	12.51
103⅛	98⅞	Exch 11pc 1989	99⅛xd	–⅛	11.09	12.57
97⅝	94½	Treas 5pc 1986–89	96⅞	–¼	5.16	10.14
104⅞	98¼	Exch 10¼pcCv '89	99½	–¼	10.30	10.98
107½	101⅛	Treas 13pc 1990‡‡	101¼	–⅛	12.87	11.71
104¾	99⅛	Exch 11pc 1990‡‡	99¼	–⅛	11.07	11.69
107⅝	100¼	Exch. 12½pc 1990	100⅞xd	–⅛	12.40	11.73
93⅞	90⅜	Treas. 3pc 1990	92⅞	–⅛	3.24	9.648
99¾	95⅛	Treas 8¼pc 1987–90‡‡	96¼	–¼	8.56	11.27
102¼	95⅝	Treas. 8pc Cv 1990 ‡‡	97¾	–⅛	8.18	9.78
103⅛	97¼	Treas 10pcCv 1990	97¾	–¼	10.22	11.46
91⅝	87⅞	Exch 2½pc 1990	89⅞	–⅛	2.79	9.10
107¼	100⅞	Treas 11¾pc 1991	100⅝	–⅛	11.68	11.35
95⅞	89⅞	Funding 5¾pc '87–91‡‡	91⅜	–⅛	6.29	10.40
90⅞	86	Treas 3pc 1991	88⅛	–⅛	3.41	9.07
105⅞	97⅞	Treas 10pc Cv '91 ‡‡	99	–⅛	10.09	10.44
107⅝	98⅞	Exch. 11pc 1991	99⅞	–¼	11.00	11.00
98⅞	91⅞	Treas. 8pc 1991	93	–¼	8.60	10.95
113⅜	103⅞	Treas 12¾pc 1992‡‡	105	–⅞	12.14	10.68
104⅞	96¼	Treas 10pc 1992	98⅛	–⅛	10.19	10.76
98⅛	91¼	Treas. 8pc 1992 ‡‡	92⅞	–¼	8.62	10.77
106⅛	98⅜	Treas 10½pc Cv 1992‡‡	99⅞	–¼	10.56	10.70
86⅛	81⅞	Treas. 3pc 1992	84⅞	–⅛	3.54	8.41
112⅞	102⅞	Exch. 12¼pc '92	104⅛xd	–¼	11.73	10.71
117⅞	106⅞	Exch 13½pc 1992	108¼xd	–¼	12.47	10.65
97⅞	91	Treas 8¼pc 1993	92⅝	–¼	8.91	10.56
105⅞	96⅞	Treas 10pc 1993‡‡	98½	–⅛	10.15	10.44
115⅞	105⅞	Treas 12½pc 1993‡‡	107⅛	–⅛	11.67	10.45
93⅛	85¼	Funding 6pc 1993‡‡	87½xd	–⅛	6.87	9.46
121⅞	110⅞	Treas 13¾pc 1993‡‡	112⅞	–⅛	12.27	10.44
101⅞	90⅞	Treas. 8½pc 1994	92¾	–⅛	9.17	10.41

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
125¾	113⅞	Treas 14½pc 1994‡‡	116⅛xd	–⅞	12.49	10.31
120⅞	109⅞	Exch 13½pc 1994	111⅞	–⅞	12.07	10.46
105⅞	96⅞	Treas. 10pc Ln. 1994‡‡	98⅞	–⅛	10.11	10.26
116⅞	106⅞	Exch. 12½pc 1994	108⅛xd	–⅞	11.52	10.44
101⅞	92⅞	Treas 9pc 1994‡‡	94⅞	–⅛	9.48	10.17
114⅞	104⅞	Treas 12pc 1995	106⅞	–⅞	11.22	10.40
83⅝	77	Exch 3pc Gas 90–95	78½	.....	3.83	7.44
106⅞	97⅞	Exch. 10¼pc 1995	99⅞	–⅞	10.26	10.27
120⅞	109½	Treas 12¾pc 1995‡‡	111⅞	–⅛	11.40	10.26
126⅞	114⅞	Treas. 14pc '96	117⅞	–⅞	11.92	10.39
101⅞	92⅞	Treas. 9pc 1992–96‡‡	95⅞	–¼	9.40	9.85
133⅞	122⅞	Treas 15¼pc 1996‡‡	124¼	–½	12.24	10.31

Fund	Price	Offer	+ or –	Yield
European Opps Fd	[illegible]	12.44	+0.12	–
Global Bond Fd	$10.52	11.08	.....	3.61
Global Fd	$39.06	41.84	+0.12	1.20
Global Man Cur Fd	$10.68	11.26	+0.04	–
Hong Kong Fd	$8.59	9.27	+0.07	–
Japan Fund	$23.87	25.52	+0.36	–
Japan Opps Fd	$14.88	15.93	+0.24	–
North Amer Fd	$13.24	14.04	+0.03	–
N. American Opps	$9.12	9.73	+0.01	–
Pacific Fd	$9.68	10.44	+0.09	–
Singapore & Mlysia Fd	$7.51	8.11	+0.06	–
United Kingdom	$22.84	24.26	–0.22	–
Yen Global Bond Fd	$11.63	12.25	+0.1	6.53
Yen Global Eq Fd	$9.43	10.11	+0.09	6.43
Yen Intl Eq Fd	$8.09	8.66	.....	6.35
Warburg Inv Mngmt (Isle of Man) Ltd				
Merc IoM Fund	125.0	133.0	–0.4	8.4
Merc Intl Bond	49.14	51.77	+0.32	8.5
Mercury 98-10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.64	10.65	.....	–
Dollar Fd OPUPs	$10.89	11.02	.....	–
Sterling Fd BOPUPs	£10.82	10.83	.....	–
Sterling Fd OPUPs	£11.34	11.48	.....	–
DM Fd BOPUPs	DM10.26	10.27	.....	–
DM Fd OPUPs	DM11.80	11.95	.....	–
Yen Fd BOPUPs	$10.16	10.17	.....	–
Yen Fd OPUPs	$10.80	10.93	.....	–
Wardley Fund Managers (Jersey) Ltd				
Wardley Japan Trust	$15.24	16.17	+0.32	0.12
Wardley Gilt Fund	£1.10	1.15	–	10.43
Wardley Priv Cap Tst	$18.04	19.14m	+0.09	1.38
Wardley Int. Equity Tst	$11.46	12.16	+0.06	5.52
Wardley Bond Tst	$14.17	14.98d	–0.01	5.67
Wardley Global Selection				
Australasia Equity	$7.46	7.93	+0.19	–
Canada Equity	$9.29	9.86	–0.07	–
Europe Equity	$8.53	9.06	+0.05	–
Hong Kong Equity	$11.06	11.74	+0.10	–
Japan Equity	$11.82	12.54	+0.21	–
Singapore & Malaysia	$9.69	10.28	+0.11	–
UK Equity	$10.01	10.62	–0.11	–
USA Equity	$8.28	8.79	–0.01	–
Deutsche Mark Bond	DM46.50	49.07	–0.21	–
Ecu Bond	Ecu90.46	95.46	–0.37	–
Japanese Yen Bond	Y931	984	–	–
Sterling Bond	£4.78	5.05	–0.02	–
Swiss Franc Bond	SFr45.49	48.01	–0.01	–
US Dollar Bond	$9.21	9.73	–0.01	–
Sterling Money Market	£5.20	5.47	–	–
US Dollar Money Mkt	$10.22	10.74	–	–
Wardley Funds Limited				
Managed Currency Fd	$–	15.247867	.....	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$8.69	9.23	.....	1.41
Nikko Asia Pac Trust	$11.30	11.61	.....	4.31

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥ABM Gold Corp ‡	150p	+6	–	–	–
32p	4½p	♥Abbot Energy Corp	13½p	–½	–	–	–
14¼	882p	♥Amer. Barrick Res.	11¼	+¼	–	–	–
10p	2½p	♥Amer Lightwave ‡	2½p	....	–	–	–
47p	7¼p	♥Armeno	16¼p	+2¼	–	–	–
125p	83p	♥Asiamerica ‖	108p	....	–	–	–
76p	23p	♥Augmitto Expl'n.	26¼p	–2½	–	–	–
14½	10⅝	Bk. Montreal ‖	13⅞	.....	$2.12	–	7.3
769p	514p	Bk. Nova Scot. ‡	706p	+5	84c	–	5.7
18¼	15¼	BCE ‖	18¼	....	$2.44	–	6.4
716p	527p	♥Bow Valley ‖	682p	+5	♦40c	–	2.8
14¼	10½	♥Brascan ‖	13⅛	.....	88c	–	3.2
328p	177p	♥Breakwater Res.	199p	.....	10c	–	2.4
13¼	801p	Can.Imp Bank ‖	12¼	.....	$1.16	–	4.6
12¼	841p	Can. Pacific ‖	10½	.....	76c	–	3.3
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	357p	Central Capital "A" ‖	395p	.....	–	–	–
485p	313p	♥Corona Corp.	425p	.....	–	–	–
886p	228p	♥Cons TVX Min.	329p	–1	–	–	–
371p	21p	♥Danbus Mem. Syst ‖	21p	–½	–	–	–
686p	430p	♥Derlan Inds ‡	598p	–1	11.75c	–	0.9
14⅛	746p	♥Echo Bay Mines	855p	–2	$0.07	–	0.4
839p	249p	♥ECO Corp ‖	460p	+5	–	–	–
40p	11½p	♥Energex Minerals ‖	13p	+¼	–	–	–
		For Euro-Asia see Asiamerica					
386p	196p	♥Galactic Resources	210p	–1	–	–	–
423p	267p	Gandalf Techs Inc.	290p	+11	–	–	–
125p	41p	♥Geodome Res	43p	–2½	–	–	–
394p	141p	Granges Expl'n ‖	155p	+4	–	–	–
23p	4½p	♥Gt Pacific Res	21p	–2	–	–	–
903p	576p	♥Gulf Canada ‖	676p	–13	52c	–	3.7
12⅛	816p	♥Hawker Sid Can ‖	11⅞	....	$1.08	–	4.4
590p	344p	♥Henlys Group.	359p	+11	–	–	–
12½	735p	♥Hudson's Bay ‖	11⅜	....	60c	–	2.4
28¼	20¼	♥Imperial Oil ‖	23¼	+¼	$1.80	–	3.6
20⅞	10⅛	Inco ‖	17⅛	+¼	US$0.80	–	2.5
718p	462p	♥Inland Nat. Gas $1	622p	–1	60c	–	4.6
250p	100p	♥Madeleine Mines	129p	+2	–	–	–
207p	126p	♥Muscocho Expl'n.	170p	+7	–	–	–
187p	41½p	♥Nu West Business Syst. ‖	41½p	.....	–	–	–
245p	85½p	♥Nevada Goldfields	96p	–5	–	–	–
12⅞	787p	♥Rio Algom	11½	+⅛	$1.30	–	5.4
19½	11½	Royal Bk. Can. ‖	28¼	.....	$2.20	–	5.8
40⅞	26⅛	Seagram ‖	38⅝	+⅜	US$1.20	–	1.7
361p	74½p	♥Sonora Gold Corp ‖	91p	+2	–	–	–
121p	18p	♥Spiral Eng ‖	79p	+2	–	–	–
150p	35p	♥Tam Pore Tech Corp ‖	105p	.....	–	–	–
19¼	11½	Toronto-Dom Bk ‖	17¼	....	$1.12	–	3.0
746p	566p	♥Trans Can Pipe.	718p	–7	68c	–	4.6
205p	127p	Varity Corp ‖	167p	–3	6–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	124	ANZ SA1	250	+6	s034½c	2.0	6.7	7.3
*284	180	Allied Irish	280	+5	F072.9%	3.1	5.4	9.6
£13¼	£10⅞	Algemene Fl 10.	£11½	+⅛	027%	1.9	6.6	–
73	58	Anglo Irish	70	.....	019.6%	1.2	6.5	19.9
90	64	Ansbacher (H.) 1p	78	....	2.0	–	3.4	–
£54½	£30⅞	B'caire Cie Fr100.	£50¼	+⅞	010%	–	1.9	–
[illegible]								

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....y	88	......
Craig & Rose £1...y	710	......
Finlay Pkg. 5p....y	93	......
Holt (Jos) 25p.....y	1235	......
Arnotts..........	425	......
Carrol (P.J.).......y	155	−2
Hall (R. & H.).......	175	......
Helton Hldgs........y	70xd	......
Irish Ropes..........	185	......

IRISH

Cap. 8½% Ln. 1991...	£99⅞	......
9pc Cap Ln. 1996..	£99½	−½
Fin. 13% 97/02....	£121	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	95
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

High yielders lose attraction

STERLING AND the dollar suffered a general weakening yesterday, as sentiment turned against the higher yielding currencies and saw fundamentally strong units, such as the the D-Mark, return to favour.

According to dealers sentiment has moved against the pound for four main reasons. Firstly the currency broke through a major support point of DM3.2450 on Tuesday; secondly, the fall of the Australian dollar has made the market question the true value of high yielding currencies; thirdly, recent data has pointed towards a slowdown in the UK economy and has made a rise in bank base rates less likely; and, fourthly, the cost of going short of the pound has fallen as interest rate differentials between London and Frankfurt have narrowed.

Sterling flirted with another support point of DM3.2050 yesterday, but rallied to close at DM3.2150, compared with Tuesday's close of DM3.2350.

If the pound should fall *below DM3.2050 the next major* support level is DM3.1800, but according to dealers the Bank of England is likely to intervene well before this point. The market suspects the UK authorities will step in to support sterling above DM3.2000, but it was suggested there should be some delicacy in handling the situation.

The market is looking for a weakening of sterling and is only likely to regard attempts by the Bank of England to push the pound higher as a better opportunity to sell.

Sterling showed mixed changes against major currencies, but on Bank of England figures the pound's exchange rate index lost 0.4 to 96.5. The dollar fell to FFr 10.9550 from FFr10.9650, but was unchanged at Y221.75 and SFr2.7450. In terms of the dollar the pound rose 10 points to $1.7515.

Firmer New York interest rates, and not any fundamental improvement in the US economy, have provided support for the dollar recently. The US currency has, therefore, not been helped by the nervousness surrounding high yielding currencies.

This was illustrated by reaction to yesterday's announcement that the US Consumer Prices Index rose 0.6 per cent in January. This was twice the level in December, and was slightly above the level of most forecasts. It added further weight to the argument that the Federal Reserve will tighten its monetary policy.

Speaking to a US Congressional committee, Mr Alan Greenspan, Federal Reserve Board chairman, said the rise in January's CPI was disturbing, and that the Fed is more inclined to tighten its monetary stance than to ease.

The threat of higher US rates did not underpin the dollar however, which fell to DM1.8355 from DM1.8420; to Y126.55 from Y126.75; to SFr1.5665 from SFr1.5685; and to FFr6.2550 from FFr6.2750. According to the Bank of England the dollar's index was unchanged at 66.8.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6050	+2.70	+0.86	±1.5344
Danish Krone	7.85212	8.09443	+3.09	+1.25	±1.5404
German D-Mark	2.05853	2.07946	+1.02	-0.82	±1.0981
French Franc	6.90403	7.09103	+2.71	+0.87	±1.3674
Dutch Guilder	2.31943	2.34737	+1.20	-0.64	±1.5012
Irish Punt	0.768411	0.780086	+1.52	-0.32	±1.6684
Italian Lira	1483.58	1527.13	+2.94	+1.83	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.22	Latest	Previous Close
£ Spot	1.7465-1.7475	1.7485-1.7495
1 month	0.48-0.47pm	0.45-0.43pm
3 months	1.39-1.36pm	1.31-1.28pm
12 months	3.72-3.65pm	3.75-3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 22	Previous
8.30 am	96.6	97.5
9.00 am	96.6	97.5
10.00 am	96.6	97.5
11.00 am	96.5	97.6
Noon	96.5	97.5
1.00 pm	96.6	97.5
2.00 pm	96.5	97.6
3.00 pm	96.5	97.3
4.00 pm	96.5	96.9

POUND SPOT- FORWARD AGAINST THE POUND

Feb.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7420 - 1.7520	1.7510 - 1.7520	0.51-0.48cpm	3.39	1.35-1.30pm	3.03
Canada	2.0805 - 2.0975	2.0935 - 2.0945	0.39-0.26cpm	1.86	0.72-0.53pm	1.19
Netherlands	3.61¾ - 3.63½	3.62½ - 3.63½	2-1¾cpm	6.40	5¾-5¼pm	5.79
Belgium	67.20 - 67.55	67.45 - 67.55	32-24cpm	4.98	85-72cm	4.65
Denmark	12.47 - 12.51½	12.50 - 12.51	5⅝-5¼orepm	5.22	14¾-14pm	4.60
Ireland	1.2020 - 1.2090	1.2045 - 1.2055	0.57-0.52cpm	5.43	1.45-1.35pm	4.65
W. Germany	3.20½ - 3.21¾	3.21¼ - 3.21¾	1⅞-1¾pfpm	6.77	4¾-4½pm	5.99
Portugal	263.00 - 265.60	264.60 - 265.60	55-15cpm	1.58	110-15pm	0.94
Spain	200.50 - 201.60	201.30 - 201.60	15-parpm	0.45	1-pm-10dis	-
Italy	2352¾ - 2363¾	2361½ - 2362½	5-1lirepm	1.52	8-3pm	0.93
Norway	11.67¾ - 11.71	11.70 - 11.71	1⅞-1½orepm	1.73	5¼-4¾pm	1.71
France	10.93 - 10.96½	10.95 - 10.96	3¼-3¼cpm	3.70	9½-9¼pm	3.40
Sweden	11.00¼ - 11.02¼	11.01¼ - 11.02¼	1¾-1½orepm	1.77	5½-5¼pm	1.93
Japan	220¾ - 222¼	221¼ - 222¼	1⅝-1½ypm	8.43	4½-4¼pm	7.98
Austria	22.52 - 22.62	22.59 - 22.62	13-12gropm	6.64	34¾-32½pm	5.96
Switzerland	2.73½ - 2.75	2.74 - 2.75	1¼-1⅛cpm	7.38	4¼-4⅛pm	6.83

Belgian rate is convertible francs. Financial franc 67.75-67.85. Six-month forward dollar 2.50-2.45cpm 12 months 3.95-3.85cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7420 - 1.7520	1.7510 - 1.7520	0.51-0.48cpm	3.39	1.35-1.30pm	3.03
Ireland†	1.4465 - 1.4625	1.4500 - 1.4510	0.28-0.33cdis	-2.52	0.70-0.80dis	-2.07
Canada	1.1835 - 1.1985	1.1950 - 1.1960	0.13-0.18cdis	-1.56	0.52-0.59dis	-1.86
Netherlands	2.0685 - 2.0805	2.0720 - 2.0730	0.52-0.49cpm	2.92	1.46-1.42pm	2.78
Belgium	38.40 - 38.65	38.50 - 38.60	6.00-4.00cpm	1.56	18.00-13.00pm	1.61
Denmark	7.13½ - 7.17	7.13¾ - 7.14¼	1.20-0.95orepm	1.79	3.05-2.65pm	1.59
W. Germany	1.8315 - 1.8440	1.8350 - 1.8360	0.52-0.49pfpm	3.30	1.46-1.42pm	3.14
Portugal	151½ - 151¾	151½ - 151¾	12-32cdis	-1.74	55-105dis	-2.11
Spain	114.85 - 115.65	115.05 - 115.15	25-30cdis	-2.87	81-88dis	-2.94
Italy	1346½ - 1351¾	1348¼ - 1348¾	1.80-2.50liredis	-1.91	6.50-8.00dis	-2.15
Norway	6.68 - 6.71	6.68 - 6.68½	0.80-1.05oredis	-1.55	2.10-2.40dis	-1.26
France	6.25 - 6.28	6.25¼ - 6.25¾	0.25-0.20cpm	0.43	0.75-0.60pm	0.43
Sweden	6.29 - 6.32½	6.29 - 6.29½	0.75-0.90oredis	-1.57	1.60-1.90dis	-1.11
Japan	126.20 - 126.90	126.50 - 126.60	0.52-0.50ypm	4.83	1.63-1.60pm	5.10
Austria	12.89½ - 12.96	12.94 - 12.94½	3.60-3.20gropm	3.16	10.50-9.30pm	3.07
Switzerland	1.5630 - 1.5715	1.5660 - 1.5670	0.53-0.50cpm	3.94	1.51-1.47pm	3.80

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.65-38.75.

CURRENCY RATES

Feb.22	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750296	0.647279
U.S Dollar	6.50	1.31677	1.12996
Canadian $	11.54	1.56656	1.35256
Austrian Sch.	4	17.1733	14.6329
Belgian Franc	7.75	51.1894	43.6050
Danish Krone	7½	9.49720	8.09443
Deutsche Mark	4	2.44182	2.07946
Neth.Guilder	5.00	2.75600	2.34737
French Franc	9½	8.31409	7.09103
Italian Lira	12½	1789.50	1527.13
Japanese Yen	2½	167.230	145.075
Norway Krone	8	N/A	7.57126
Spanish Peseta	-	152.084	130.397
Swedish Krona	8½	8.32857	7.13002
Swiss Franc	4	2.07720	1.77403
Greek Drach.	20½	204.152	174.126
Irish Punt	-	0.915441	0.780086

*All SDR rates are for Feb.21

CURRENCY MOVEMENTS

Feb.22	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.5	-14.9
U.S Dollar	66.8	+11.6
Canadian Dollar	101.3	-0.8
Austrian Schilling	106.6	+9.6
Belgian Franc	105.8	-6.3
Danish Krone	103.3	-1.2
Deutsche Mark	112.8	+20.4
Swiss Franc	[illegible]	+17.8
Guilder	[illegible]	+1.9
French Franc	[illegible]	-15.9
Lira	[illegible]	[illegible]
Yen	[illegible]	+86.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.21.

OTHER CURRENCIES

Feb.22	£	$
Saudi Ar.	6.5380 - 6.5490	3.7515 - 3.7525
Singapore	3.3590 - 3.3645	1.9250 - 1.9270
S. Af (Cm)	4.3365 - 4.3475	2.4885 - 2.4915
S. Af (Fn)	6.7785 - 6.9130	3.8835 - 3.9605
Taiwan	48.35 - 48.60	27.65 - 27.75
U.A.E.	6.4020 - 6.4150	3.6725 - 3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 10¼-10⅛ per cent; three years 10⅛-10 per cent; four years 10⅛-10 per cent; five years 10⅛-10 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
N Fl.	0.275	0.483	0.886	61.10	3.019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.423	0.742	1.361	93.90	4.640	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.478	0.837	1.536	105.9	5.234	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.461	2.596	4.763	328.6	16.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices fall on weaker sterling

A POOR performance by sterling encouraged investors to take a renewed interest in March short sterling futures in the Liffe market yesterday. While a bulk of the volume stayed with the June contract, traders saw an opportunity to take short positions in the March contract.

The pound's softer tone and a recent rise in European and US interest rates have prompted many investors to revise the view that UK base rates have peaked at 13 per cent.

The March short sterling contract finished at 86.83, discounting a base rate of 13¼ per cent. The temptation is to sell this contract on the hope that a rise in interest rates will enable traders to cover their exposure by purchasing contracts at a lower price.

West German Government bond futures fell sharply in record volume, following a rise in the sale and repurchase tender rate in Frankfurt yesterday. The number of lots traded came to a provisional 25,973, beating the previous record of 21,540 established on February 15.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE FT-SE INDEX FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; PHILADELPHIA SE £/$ OPTIONS; LONDON SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m; THREE MONTH STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; POUND-$ (FOREIGN EXCHANGE); DM-STERLING

[illegible]	[illegible]	[illegible]

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 51,251
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Further rise in rates

UK INTEREST rates rose yesterday in reaction to sterling's poor performance. The key three-month interbank rate was higher at 13⅛-13 per cent from 13$\frac{1}{16}$-12$\frac{15}{16}$ per cent while one year money edged up to 12$\frac{15}{16}$-12$\frac{13}{16}$ per cent from 12$\frac{13}{16}$-12$\frac{11}{16}$ per cent.

Concern about rising inflation has also been a factor in driving rates firmer. The yield curve on money out to one year has taken on a much flatter curve, *suggesting that the* market sees even less chance of a cut in base rates for some time yet. Overnight interbank money touched a high of 12¾ per cent before slipping away to 11½ per cent.

UK clearing bank base lending rate
13 per cent
from November 25

The Bank of England forecast a flat credit position. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £513m. The unwinding of previous sale and repurchase agreements drained a further £1,699m, and there was a rise in the note circulation of £105m. In addition, banks brought forward balances £55m below target. These were offset by Exchequer transactions which added £2,395m. The latter were swollen by redemption of the 11½ per cent Treasury stock which released £2.25bn.

The forecast was revised to a surplus of around £100m, but the Bank gave no assistance in the morning. A further revision took the forecast to a surplus of around £250m, and the Bank took out the excess liquidity by selling £257m of Treasury bills *at 12¼-12¼ per* cent, maturing today.

Short-term interest rates were higher in Frankfurt after the Bundesbank allocated funds at 6-6.25 per cent at its latest sale and repurchase tender. A total of DM6.2bn was allocated, compared with a maturing facility of DM8.4bn.

The higher rates were not viewed as a sign of monetary tightening by the authorities. *Large commercial banks are* reasonably well placed for liquidity, but smaller banks were prepared to bid up for funds (that is, to sell paper to the authorities at a lower price which pushes up the rate of discount) based on the idea that West German interest rates are likely to be increased sooner rather than later.

The firmer tone reflects a background of rising inflation, which many investors see as a signal for higher rates in West Germany.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.22) 3 months US dollars / 6 months US Dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime; Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention

[illegible]	[illegible]	[illegible]

Feb.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Feb.22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 12⅞ per cent; three months 12¾ per cent; Bank Bills (sell): one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.4113 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1989. Agreed rates for period February 26, 1989 to March 25, 1989, Scheme I: 13.93 p.c., Schemes II & III: 14.41 p.c. Reference rate for period December 31 to January 31, 1989, Scheme IV&V: 13.171 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from February 1, 1989: Bank Deposit Rates for sums at seven days notice 6 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

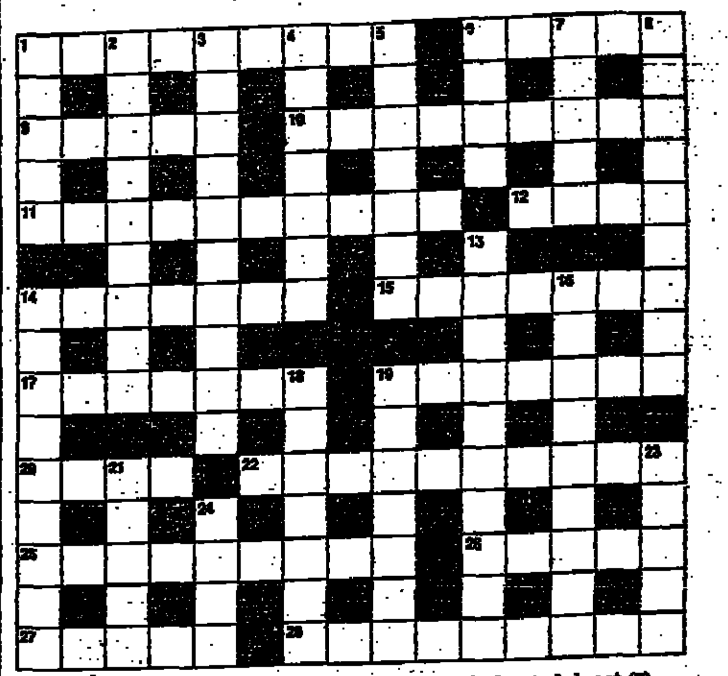
BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	Nat Westminster	13
Adam & Company	13	Comm. Bk. N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	13
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	13	Duncan Lawrie	13	Roxburghe Guarantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	14	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs	13
Banco Bilbao Vizcaya	13	First National Bank Plc	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp	13
Banque Belge Ltd	13	Heritable & Gen Inv Bank	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co	13		
Beneficial Trust Ltd	14	Hongkong & Shanghai	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	Midland Bank	13		
Central Capital	13	● Morgan Grenfell	13		
● Charterhouse Bank	13	Mount Credit Corp.	13		
Citibank NA	13	Mount Banking	13		
City Merchants Bank	13	Nat Bk of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.22%. Savewise 8.47%. Top Tier-£10,000+ instant access 11.72% & Mortgage base rate. § Demand deposit 8%. Mortgage 13.625%-14.00%

CROSSWORD

No.6,868 Set by GRIFFIN



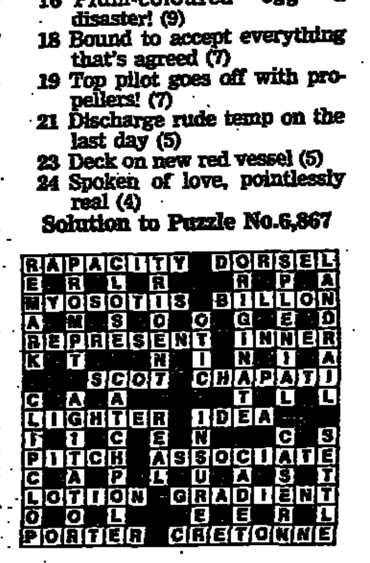
ACROSS

1 Stained by a lot of water, hides woolly (9)
6 "Simple as ABC" is foolish (5)
9 He leaves here after rejecting tin of shellfish (5)
10 Lionel arranged 50% rebate to head of revolution (9)
11 Seize for fiddling cost in cafe (10)
12 At this point you "hear, hear!" (4)
14 A penny on credit could be forecast (7)
15 Joy, half nude, is in front of the window (7)
17 Ring circus lacking American permit (7)
19 Make one's way round church, bearing a poker (7)
20 Frank, ring The Swan (4)
22 Knocked down by a crazy gnu, do bleed (10)
25 Fair trial arranged after I injured Pam (9)
26 Keep about a quarter to throw (5)
27 True ally mad about love (5)
28 Dress tree damaged by rats (9)

DOWN

1 One not upset by cold medicine (5)
2 Ran to cure sick story-teller (9)
3 Cook being ill, that is put outside as unsuitable (10)
4 Blended to a rich kind of stew (7)
5 Argued about club act (7)
6 Fifty in bottom half take flight (4)
7 Parking in place which causes ill-will (5)
8 In Diplomatic Corps one gets drunk if overcharged (9)
13 A trainee got three damaged, all told (10)
14 A Tripoli revolutionary is holding many relating to pictures (9)
16 Plum-coloured egg – a disaster! (9)
18 Bound to accept everything that's agreed (7)
19 Top pilot goes off with propellers! (7)
21 Discharge rude temp on the last day (5)
23 Deck on new red vessel (5)
24 Spoken of love, pointlessly real (4)

Solution to Puzzle No.6,867



JOTTER PAD

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS

FUTABA CORPORATION

U.S.$ 100,000,000

4⅛ PER CENT NOTES DUE 1993 WITH WARRANTS

Pursuant to Clauses 3 and 4 of the Instrument dated 28th April, 1988, the following notice shall be given.

At the meeting of the Board of Directors of FUTABA CORPORATION (the "Company") held on 14th February, 1989, a resolution was adopted for the issue of new shares by way of free distribution, the particulars of which are given below. Consequently, the Subscription Price of the captioned Warrants (the "Warrants") shall be adjusted, as specifically provided in paragraph 3 below.

1. The free distribution of new shares will be made to shareholders of record as of 31st March, 1989, Tokyo time, at a ratio of 0.10 shares for each one share held.
2. The free distribution will be made on 19th May, 1989, but the dividends for these new shares will *accrue as from 1st April, 1989*, Tokyo time.
3. Pursuant to Condition 7 of the Instrument, the Subscription Price will be adjusted from Yen 5,638.00 to Yen 5,125.50 per share of the common stock of the Company effective as from 1st April, 1989, inclusive.

Dated: 23rd February, 1989

THE MITSUBISHI BANK, LIMITED
as Principal Paying Agent
on behalf of FUTABA CORPORATION

THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.

Notice is hereby given that a balance of the Register will be struck on Monday, 6th March, 1989 for the preparation of the half-yearly dividend payable on the FIRST PREFERENCE SHARES for the six months ending 31st March, 1989. The dividend will be paid on 3rd April, 1989.
For transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Plc., Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA, not later than 3.00 p.m. on Monday, 6th March, 1989.

By order of the Board
V.A. Wadham
Company Secretary
Shell Centre
London, SE1 7NA
23rd February, 1989

O K BAZAARS (1929) LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the undermentioned half-yearly dividends have today been declared payable on 31 March 1989, in the currency of the Republic of South Africa, to all holders of the respective classes of shares registered in the books of the Company at the close of business on 3 March 1989.
6% First Cumulative Preference Shares
- Dividend Number 109 - 3%
5% Third Cumulative Preference Shares
- Dividend Number 91 - 2½%
The usual non-resident shareholders' tax of 15% will be deducted where applicable.

The Register of Members will be closed in Johannesburg and London from 4 March 1989 to 12 March 1989, both days *inclusive*, for the purposes of the payment of the above dividends.

BY ORDER OF THE BOARD
P E Kritzinger
Secretary

Registered Office:- OK Buildings, 80 Eloff Street, Johannesburg 2001, SOUTH AFRICA
London Registrars:- Hill Samuel Registrars Ltd, 6 Greencoat Place, LONDON SW1P 1PL

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices February 22

INDICES

NEW YORK DOW JONES

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48

	Feb 15	Feb 8	Feb 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.05	3.05
S & P Indl. P/E ratio	13.63	13.85	13.79	16.54

NYSE Composite	166.06	166.45	165.51	165.21	168 02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	324.86	325.95	325.15	325.21	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.38	407.19	405.70	404.17	409 19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

TRADING ACTIVITY † Volume

Millions	Feb 21	Feb 17	Feb 16
New York	141.950	159.520	177.450
Amex	11.720	11.892	12.010
OTC	115.234	114.149	149.254

NEW YORK	Feb 21	Feb 17	Feb 16
Issues Traded	1,970	1,951	1,939
Rises	598	953	805
Falls	880	497	599
Unchanged	492	501	535
New Highs	48	58	61
New Lows	18	13	12

CANADA

TORONTO	Feb 21	Feb 20	Feb 17	Feb 16	1988/89 High	1988/89 Low
Metals & Minerals	3456.3	3425.3	3441.7	3414.6	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3608.3	3599.1	3610.8	3606.7	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1791.42	1787.31	1797.73	1793.31	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Tuesday — Stocks traded, Closing price, Change on day

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 22	Feb 21	Feb. 20	Feb. 17	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1492.9	1481.4	1473.1	1448.1	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	689.7	677.5	671.6	655.0	847.8 (9/6/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	247.21	244.00	242.14	240.57	247.21 (22/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5765.02	5754.93	5757.74	5767.43	5834.01(10/2/89)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	287.78	288.24	288.44	287.90	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	780.8	782.1	784.2	782.6	784.2 (20/2/89)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	445 9	445 0	439.1	440.3	457.1(3/2/89)	251.3 (29/1/88)
Ind. Tendance(30/12/88)	103.7	104.2	103.0	103.0	108.1(3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	547.66	553.80	556.61	556.32	569.27(8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1632.1	1650.7	1661.4	1660.3	1705.6(5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1292.17	1307.52	1319.91	1315.09	1371.10(5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3161.56	3150.64	3159.84	3106.25	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	592.71	591.43	591.95	586.22	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	32311.93	31980.08	32177.08	32173.3	32311.93(22/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2472.04	2452.91	2470.37	2473.33	2490.07(8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	306.4	308.2	307.7	303.7	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	266.8	268.2	267.8	265.5	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	570.52	568.27	567.14	560.94	570.52 (22/2/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1138.75	1131.53	1132.77	1129.93	1177.87 (8/8/88)	833.60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1357.0‡	1315.0	1309.0	1293.0	1451.0 (7/7/88)	1154 0 (4/5/88)
JSE Industrial (28/9/78)	2253.0‡	2235.0	2217.0	2200.0	2253.0 (22/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	274.10	272.67	273.17	273.20	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3730.0	3699.8	3669.4	3667.2	3730.0 (22/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	652.1	650.9	649.4	646.8	652.1 (22/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	514.0	518.3	519.0	519.0 (19/2/89)	401.0 (21/1/88)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 22 February 1989

	Stocks Traded	Closing Prices	Change on day
Toshiba	83.5m	1,230	+60
Daido Steel	88.1m	1,240	+200
[illegible]	53.6m	1,770	+70
Fuji Electric	49.5m	1,030	+65
Nissan	37.7m	1,450	+70
Nippon Steel	37.4m	864	+4
Shimizu	33.2m	2,230	+70
Sato Kogyo	32.6m	2,520	+270
Japan Steel Works	32.5m	1,500	+110
Sumitomo Metal	29.9m	880	+20

3pm prices February 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

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NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

AMEX COMPOSITE PRICES

3pm prices February 22

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 22

[illegible]

AMERICA

Consumer prices rise sends Dow tumbling

Wall Street

A LARGER-than-expected increase in consumer prices in January, coupled with warnings about the risks of higher inflation from Mr Alan Greenspan, chairman of the US Federal Reserve, triggered heavy selling of equities yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was off 36.79 at 2,289.64 on active volume of 93m shares.

The blue chip index opened weakly after the release of figures showing a 0.6 per cent rise in the Consumer Prices Index last month, following a 0.3 per cent gain in December. After the shock of a 1 per cent jump in producer prices in January, a substantial gain had been expected, but the CPI increase was still above the consensus forecast of a 0.5 per cent increase.

Selling accelerated after the first hour of trading, and by early afternoon the Dow was off almost 41 points. The fall almost wiped out four successive days of rising prices and pulled the Dow below the 2,300 level, which had proved a formidable obstacle on the index's way up.

The consumer prices figures were given even more attention by the financial markets yesterday because they coincided with the second day of the Humphrey-Hawkins testimony to Congress by Mr Greenspan.

He used the session to deliver more warnings about the risks of higher inflation, including the caveat that the next recession – which, he said, was inevitable because of imbalances in the economy – would be deeper and more prolonged if inflation were allowed to rise.

His aggressive talk on inflation has, however, been balanced by a generally optimistic tone on the chances of budget deficit reduction and therefore lower interest rates. He has also said monetary policy was about on track.

Given that nobody really believes that the Administration's approach to deficit reduction so far *constitutes* anything more than creative accounting, the willingness of markets to believe in Mr Greenspan's optimism is somewhat surprising.

Even the Treasury bond market, which is normally a fairly good indicator of inflationary expectations, has fallen only modestly, given January's evidence of higher inflation.

It was something of a surprise that the equity market reacted more clearly to inflationary concerns yesterday than the bond market. One reason is that the equity market had already made a substantial rally since the latter part of last week and had failed to advance further on Tuesday when the Dow closed with a marginal gain of 1.61 points.

One factor that helped the equity market to stabilise briefly at lower levels yesterday was the resilience of the dollar, which bounced back *from its early lows after the* CPI release. Even this should not be that positive a signal for equities, however, as the dollar's bounce was partly on expectations of higher interest rates – not, in theory, good for stocks.

Among individual issues, Champion Spark Plug dropped \$1¼ to \$21 on news that the company had agreed to be acquired by Cooper Industries for \$21 a share and Dana had withdrawn its \$17.50 a share offer.

Fischbach slumped \$2¾ to \$17½ on concern that there has been no news on the financing of a \$25-a-share bid for the company by Mr Andrew Heine, an investor.

Petrolane Partners added \$1⅛ to \$25⅝. Panhandle Eastern, which has made a \$53-a-share offer for Texas Eastern, said that it intended to sell the latter's 43 per cent stake in Petrolane within 60 days if its *bid were successful.*

Canada

CONCERN over US inflation and its probable effect on interest rates knocked Toronto share prices. At midday, the composite index was off 26.1 at 3,582.2 on volume of 17.3m shares.

Corona was unchanged at C\$8⅞. Dickenson Mines said it would seek an order to force Corona to extend its bid for Dickenson Class B shares to the Class A stock. Dickenson was up C\$⅜ at C\$7.

EUROPE

Frankfurt retreats to year's lows

THE WEST German market dropped by more than 1 per cent as growing nervousness over inflation and interest rates sent leading European bourses into retreat, *writes Our Markets Staff.*

FRANKFURT sank to its lowest level of the year as agitation over rising interest rates was exacerbated by further signs of tightening by the Bundesbank in the latest securities repurchase pact tender.

The FAZ index fell through the chart resistance level of 550 and this was taken as a sell signal by German market makers. The index ended 6.14 lower at 547.66, just below its previous low of 548.23 on January 2, with few stocks going against the trend. The next resistance points are seen as 540 and 520.

The DAX index dropped below 1,300 for the first time since December to close 15.35, or 1.2 per cent, lower at 1,292.17. Turnover remained thin at DM2.85bn worth of domestic shares, though an improvement on levels earlier this week.

The Bundesbank accepted bids for DM6.2bn compared with DM8.4bn at the previous pact, meaning that a net DM2.2bn is being removed from the market. The pact rates were 6 to 6.25 per cent, compared with 5.3 to 5.8 per cent previously.

The allocation fuelled expectations of a rise, at least in the Lombard rate and possibly in the discount rate, at next Thursday's Bundesbank council meeting. A steep fall in the bond market added to the general nervousness.

Banks were hit because of their immediate exposure to interest rates, with Deutsche losing DM6 to DM506.50. Insurer Allianz, a generally volatile stock, fell DM36 to DM1,730.

Construction issue Holzmann shed DM22 to DM659 in profit-taking after its powerful run. Steelmaker Klöckner-Werke fell DM2.70 to DM147.50 before announcing an operating profit of DM131m, up from DM1m in 1987, with the turnround helped by heavy demand for steel.

PARIS turned nervous in afternoon trading as Wall Street weakened and the US inflation news emerged. Early gains gave way to profit-taking and volume was very low.

There was little corporate news about and the big share movements were all on the loss side. The CAC 40 index finished 20.55 lower and the OMF 50 index fell 4.42 to 460.75.

Synthélabo, the fine chemicals company, dropped 6.4 per cent, from FFr534 to FFr500. SFIM gave up much of the previous day's 8 per cent jump, falling FFr95 to FFr1,655 – a drop of 5.4 per cent.

BSN denied persistent rumours of a link-up with Perrier and ended FFr3 lower at FFr656 after rising to FFr679. Perrier fell FFr45 to FFr1,640, having been up FFr59.

AMSTERDAM ended lower after the US consumer prices came in at the high end of expectations, adding to worries over inflation, and the Dutch central bank raised its money market rate to 6.4 per cent from 6.3 per cent. The CBS tendency index lost 1.4 to 164.5 in moderate volume.

Philips eased 50 cents to Fl 36.20 before today's 1988 results, which are expected to show a rise in profits thanks mainly to a large extraordinary gain from the sale of 53 per cent of its white goods division to Whirlpool of the US.

MILAN saw small gains in continued thin trading as investors awaited the conclusion of the Christian Democrat Party congress. Optimism about the political outlook is growing now that Prime Minister Ciriaco De Mita seems to have won the full support of the party for his programme, said one analyst.

The Comit index edged up 1.28 to 592.71 with turnover estimated to be little changed from the L100bn level of the last few days.

ZURICH remained quiet as interest rate worries grew, and the Crédit Suisse index added just 1.3 to 554.2.

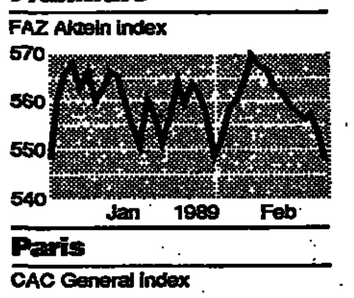
Business services company Surveillance reported record annual profits and an increased dividend, which helped push its registered stock up SFr100 to SFr4,900 and its participation certificates SFr160 higher to SFr5,100. One analyst reported switching from employment services agency Adia, whose bearers dropped SFr110 to SFr7,950.

MADRID picked up after several sessions in the doldrums, with the general index rising 1.43 to 274.10. Banks were mostly steady, but Santander and Popular gained ground, with the former rising 13 points to 821 of par and the latter climbing 5 to 1,615.

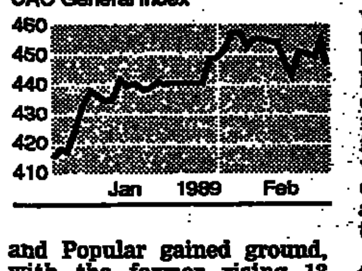
STOCKHOLM rose to another all-time high on optimism over corporate results, with turnover at a moderate SKr316m. The Affärsvärlden general index added 7.4 to 1,092.5. Investment, engineering and forestry stocks were all strong.

BRUSSELS was generally easier following another rise in the three-month treasury certificate rate. Steel stocks saw heavy trading again.

Frankfurt



Paris



ASIA PACIFIC

Investment trust demand helps Nikkei rally sharply

Tokyo

A FLOOD of buy orders from newly established investment trusts wiped out any bearish thoughts left after Tuesday's sharp fall and sent the Nikkei average to a new high, *writes Michiyo Nakamoto in Tokyo.*

Share prices climbed through the day to close up 331.85 at a record 32,312.62, while the low was 32,006.94. Advances led declines by 488 to 437 while 155 issues finished unchanged.

Turnover rose to 1.44bn shares from 1.21bn on Tuesday. The Topix index of all listed shares gained 19.13 to 2,472.04 and in London the ISE/Nikkei 50 index rose 6.72 to 1,975.02.

Activity was boosted by the launch of new investment trusts, estimated to have a total value of Y55bn. An additional Y600bn worth of investment trust funds are expected to enter the market today. If anybody was in doubt, that was proof "there is still a lot of liquidity around," one analyst commented.

Part of the buying was thought to have come from the trusts to be launched today in order to spread such heavy demand over more than one session.

Although investors had been worried about possible restrictions on margin transactions, buying yesterday seemed hardly affected by such concerns. Investment trusts are more interested in longer-term factors, so such restrictions would probably have little effect on their buying, said an analyst at New Japan Securities.

There were two main themes to the day. The first was speculation that the Government would announce plans to build a line for linear motor cars, enabling travellers to reach Osaka in an hour instead of the two and a half hours it now takes. Among the beneficiaries was Toshiba, the most actively traded issue with 83.5m shares, which advanced Y60 to Y1,230. Daido Steel, second in volume terms with 58.1m shares, has been involved in the development of linear motors and rose Y200 to Y1,240.

Fuji Electric, also heavily traded, gained Y65 to Y1,030, and Japan Steel Works, which owns land in Fuchu, where a linear motor line is likely to pass, added Y110 to Y1,500.

The second theme was the build-up of Japan's infrastructure, centring on the construction of more highways and three new bullet train lines. There have been spectacular rises in a number of the leading construction companies, especially those that excel in civil engineering.

Among them, Sato Kogyo, noted for its tunnel-building expertise, surged Y270 to Y2,520 in heavy trading. Taisei, which was third on the volumes list with 53.6m shares, added Y70 to Y1,770. Shimizu also gained Y70 to Y2,230.

Nippon Telegraph and Telephone, which has been hit by the involvement of a number of former executives in the Recruit share scandal, fell to a low of Y1.60m during the day, but attracted some buy orders at that level and closed Y10,000 lower at Y1.61m.

Investors sought high-technology issues in Osaka and the OSE average added 140.99 to 30,376.95. Volume improved to 134m shares from 102m. Sato Kogyo rose Y300 to Y2,520.

Roundup

HIGHER metal prices, expectations of good corporate results and the strength in neighbouring Tokyo helped Asia Pacific markets to a firmer finish.

AUSTRALIA was buoyed by the continued weakness of the local dollar. Share prices closed near the day's highs on both overseas and domestic demand.

The All Ordinaries index climbed 11.5 to 1,492.9 and turnover reached 97m shares worth A\$211m. The firm local price for bullion aided gold stocks, while banks were also in demand.

In golds, Poseidon jumped 40 cents to A\$2.55, Sons of Gwalia put on 20 cents to A\$5.20 and Metana and Barrack Mines each rose 15 cents to A\$4.40 and A\$3.85 respectively.

Brambles climbed 15 cents to A\$11 and BTR Nylex found 18 cents to A\$9.14 in anticipation of good results from the industrial groups today. Mayne Nickless added 4 cents to A\$5.56 on news of higher interim profits.

Perth-based Caraboodda saw a second session of active trading in anticipation of its privatisation, ending unchanged at 22 cents with 4.3m shares traded.

HONG KONG was cheered by the record close in Tokyo and finished firmer after oscillating throughout the session.

The Hang Seng index rose 10.92 to 3,161.56, after having fallen by 19 points in early trading.

Fading fears of higher interest rates helped property stocks, with Hongkong Land the most active issue, rising 20 cents to HK\$11.50 on turnover of 5.6m shares. Total volume for the market was worth HK\$1.3bn, against HK\$1.7bn on Tuesday.

SINGAPORE benefited from short-covering, which helped boost turnover and take the Straits Times industrial index up 7.22 to 1,133.75.

Demand focused on stocks in the plantation, shipyard, retailing and banking sectors on expectations of strong earnings. Volumes rose to 56.3m shares from 45.6m on Tuesday.

United International Securities rose 13 cents to S\$1.38, helped by its one-for-five bonus issue. But newly-listed Wing Tai remained the focus of attention, with 9.5m shares traded, and rose 6 cents to S\$1.93.

SEOUL reached an all-time high as small investors rushed to the market amid speculation that President Roh would announce market-boosting measures on February 25, the anniversary of his first year in office. The composite index gained 6.62 to 924.32, just above the previous high of 922.56 on December 14 last year.

MANILA was buoyed by higher metals prices and speculation in the oil sector. The composite index rose 16.33 to 839.06 in active trading after recent weakness.

SOUTH AFRICA

GOLD shares benefited once again from the negative outlook for inflation and a firmer bullion price, as investors went shopping for select issues in Johannesburg.

Amsterdam suffers glut of indices

Laura Raun on the yardsticks that are double Dutch to investors

TOO many yardsticks can blur that which is being measured. Witness the number of stock market indices and sub-indices on the Amsterdam bourse, which have proliferated to such an extent that some observers are downright confused.

Amsterdam investors now have the dubious honour of being able to choose from about 30 share indices and sub-indices, when just two years ago there were only about 10.

The start of this year saw the introduction of two new indices, and confusion mounted. Both had "all share" sub-indices, but one index was also called the "all share" index.

To set the record straight, here is a primer to Dutch indices.

The Central Bureau of Statistics (CBS) calculates all the indices, of which three are now most widely used: the CBS all share index, CBS tendency index and CBS total return index. Each in turn has several sub-indices, such as all share, domestic and international stocks.

The CBS all share and CBS total return indices – both of which were launched this year – reflect longer term price changes, while the CBS tendency index provides intra-day snapshots of the market. The all share index is apparently the most commonly used by securities analysts, while the total return index is favoured by portfolio managers.

The all share index tracks movements of about 200 listed Dutch stocks and excludes investment funds, property funds and holding companies. The base level is prices at the end of 1983.

This index is considered a "market portfolio," because weightings are continuously adjusted without adding to or subtracting from overall capitalisation. Thus it reflects the relative daily importance of each stock on the bourse.

The total return index tracks movements of officially listed stocks with the same exceptions as with the all share index, but cash dividends are reinvested in the portfolio. Both the all share and the total return indices are adjusted for changes in share capital and are calculated once a day, based on closing prices.

Meanwhile, the tendency index is calculated seven times a day and reflects the movements of the 40 most actively traded stocks in comparison with a base level which is annually updated and is now the end of 1987.

Until this year, the ANP-CBS all share index was the most widely followed yardstick, but it is being phased out as a daily index on May 1, after which it will be calculated weekly.

The outdated index – a joint effort by CBS and the ANP Dutch news agency – is heavily weighted toward a handful of international stocks, with Royal Dutch/Shell and Unilever accounting for nearly half of the portfolio.

Mr Fokko Tuin, a securities analyst with Kempen and Co, says the ANP-CBS index indirectly forces portfolio managers to hold a lot of Royal Dutch and Unilever stock. That means running a big risk of underperforming the market as well as a possibility of outperformance.

To allow the investor to choose whether, when and how to invest in the majors, the CBS all share and CBS total return indices have an all share sub-index including Royal Dutch/Shell as well as one that excludes Royal Dutch.

The ANP-CBS all share index has also been criticised for being badly underweight in bank stocks and insurance shares, compared with both of those sectors' market capitalisations.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 21 1989					MONDAY FEBRUARY 20 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	136.31	+0.1	115.45	111.42	4.83	136.19	114.49	110.60	157.12	91.16	99.94
Austria (18)	98.15	+0.7	83.13	93.97	2.62	97.52	81.98	93.38	100.74	83.72	86.99
Belgium (63)	134.87	−0.1	114.23	129.05	4.00	134.98	113.48	129.16	139.89	99.14	122.15
Canada (125)	134.09	+0.3	113.57	115.55	3.24	133.76	112.45	115.26	137.27	107.06	114.76
Denmark (39)	172.92	+0.3	146.45	168.51	1.75	172.40	144.94	168.24	180.38	111.42	117.29
Finland (26)	145.73	−0.3	123.42	131.23	1.37	146.22	122.93	131.28	147.07	106.78	115.18
France (130)	117.64	+0.9	99.64	115.79	2.80	116.60	98.02	114.86	119.98	72.77	86.82
West Germany (102)	84.87	−0.7	71.88	81.28	2.31	85.47	71.86	81.92	90.40	67.78	76.45
Hong Kong (44)	131.72	−0.5	111.56	131.95	3.62	132.34	111.26	132.55	133.77	84.90	88.95
Ireland (17)	144.46	+1.3	122.35	140.48	3.60	142.55	119.84	138.96	144.46	104.60	113.43
Italy (98)	81.65	+0.0	69.15	82.32	2.45	81.65	68.64	82.37	86.88	62.99	72.88
Japan (456)	196.27	−1.0	166.23	157.25	0.48	198.24	166.66	158.45	198.98	133.61	158.24
Malaysia (36)	157.64	+0.3	133.51	165.89	2.58	157.21	132.16	165.14	159.52	107.83	114.05
Mexico (13)	162.16	+0.4	137.34	410.44	1.25	161.47	135.74	411.33	182.24	90.07	139.01
Netherland (39)	114.71	−0.3	97.16	108.90	4.56	115.01	96.69	109.29	115.04	95.23	102.46
New Zealand (24)	70.61	−2.7	59.80	60.92	6.35	72.55	61.00	62.24	84.05	63.32	65.83
Norway (26)	170.76	+0.6	144.63	155.35	2.03	169.82	142.77	154.14	170.76	98.55	111.66
Singapore (26)	141.77	−0.1	120.08	125.83	2.12	141.91	119.30	125.89	143.62	97.32	104.38
South Africa (60)	127.00	+0.6	107.56	108.86	4.34	126.20	106.09	108.18	139.07	98.26	127.79
Spain (42)	143.65	−0.5	121.66	125.20	3.85	144.34	121.34	125.64	164.47	130.73	136.52
Sweden (35)	152.61	+0.6	129.25	142.61	2.17	151.65	127.49	141.38	152.61	96.92	109.67
Switzerland (57)	77.28	−0.3	65.45	75.15	2.27	77.49	65.15	75.28	86.75	74.13	81.82
United Kingdom (314)	150.67	−0.9	127.61	127.61	4.27	152.04	127.82	127.82	152.54	120.66	128.67
USA (568)	120.51	−0.2	102.07	120.51	3.58	120.80	101.56	120.80	121.90	99.19	107.95
Europe (1006)	119.87	−0.4	101.53	108.79	3.51	120.40	101.22	108.91	120.88	97.01	103.33
Nordic (126)	152.72	+0.4	129.35	139.46	1.92	152.11	127.88	138.75	152.72	98.11	107.71
Pacific Basin (675)	191.06	−1.0	161.82	154.00	0.68	192.90	162.17	155.11	193.41	130.81	153.26
Euro-Pacific (1681)	162.58	−0.8	137.69	136.01	1.53	163.89	137.78	136.74	164.05	120.36	133.30
North America (693)	121.22	−0.2	102.67	120.23	3.56	121.48	102.13	120.48	122.71	99.78	108.31
Europe Ex. UK (692)	100.89	+0.0	85.45	97.10	2.87	100.94	84.86	97.18	103.11	80.28	87.58
Pacific Ex. Japan (219)	128.71	−0.3	109.01	112.99	4.27	129.05	108.49	112.86	137.65	87.51	93.26
World Ex. US (1879)	161.23	−0.8	136.56	135.19	1.60	162.47	136.59	135.88	162.62	120.26	132.62
World Ex. UK (2133)	145.04	−0.6	122.85	130.47	1.98	145.88	122.64	131.06	146.04	111.77	122.53
World Ex. So. Af. (2387)	145.65	−0.6	123.36	130.34	2.18	146.54	123.20	130.90	146.65	113.26	123.03
World Ex. Japan (1991)	121.14	−0.3	102.60	116.06	3.58	121.49	102.13	116.24	122.37	100.00	106.20
The World Index (2447)	145.53	−0.6	123.26	130.19	2.19	146.42	123.09	130.75	146.51	113.37	123.06

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.64 (US \$ Index), 114.44 (Pound Sterling) and 123.21 (Local).

Incorrect price data for five securities from Extel Financial has made it necessary to recalculate the Danish,related regional and World indices back to 1/8/88.Corrected daily indices available from FT Prices:Tel:London (01) 403 0669.
Latest prices were unavailable for this edition.